

## TESTIMONY

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*In articulating the rationale for what became known as the Marshall Plan (1948), arguable the most notable and successful US assistance program, George Kennan asserted that US assistance should aim “to combat, not communism, but the economic maladjustment which makes European society vulnerable to exploitation by any and all totalitarian movements.”<sup>1</sup> The contemporary version of this rationale is the cogent statement in a March 2008 op-ed by retired General Anthony Zinni and Admiral Leighton Smith: “our enemies are often conditions”.<sup>2</sup>*

*Confronted with a myriad of global threats – rapidly moving diseases, regional instability, poverty, global warming, fanaticism, illiteracy, nuclear theft, corruption, narcotics and human trafficking – from which America cannot hide, it is incumbent on the Congress and the Administration to maximize American and international capabilities to address these challenges.*

### DEVELOPMENT

The Bush Administration recognized the centrality of these challenges to US foreign policy through the articulation of the three Ds – Defense, Diplomacy, Development – in the national security strategies of 2002 and 2006. President Obama gave heightened prominence to development in a variety of statements and commitments during the presidential campaign. This testimony will set forth a series of actions that would transform US development efforts into the force that is envisioned in these policy commitments by leaders of both parties.

The end goal is to maximize the **effectiveness and results** from the investments the United States makes in development, as recognized by the focus of this hearing on the implementation of US assistance programs. The starting point is with the leadership, policy, and support structures that empower and guide the management of assistance programs.

Economic assistance can be divided into three categories according to the objectives: development, humanitarian, and diplomatic/foreign policy. This testimony will not deal with US humanitarian assistance, which, while open to improvements, is widely

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<sup>1</sup> Nicolaus Mills, *Winning the Peace*, Wiley, 2008, page 109.

<sup>2</sup> *A smarter weapon*, USA Today, March 27, 2008.

recognized for its robustness, responsiveness, and effectiveness; nor with assistance designed to meet diplomatic and foreign policy needs, which appropriately requires guidance and decision-making by foreign policy decision-makers, specifically at the Department of State and the National Security Council. Much of the latter is delivered through development assistance mechanisms, so can be made more effective by many of the steps laid out below. This statement will focus on development and related assistance programs and policies.

While the US today is viewed widely as a leader in the delivery of humanitarian assistance, it no longer is seen as a leader in development assistance. This is ironic and unfortunate, as the US remains the largest foreign assistance donor, historically the US led the donor community, and there is a new-found recognition of the importance of development to our national interest.

In reviewing this statement, and in considering issues of foreign assistance reform generally, it is best to think of USAID as two entities – the Washington headquarters and the USAID missions overseas. The majority of the issues and recommendations here are designed to strengthen the headquarters, a much maligned agency whose depleted status is largely a result of policy makers in the Executive Branch and Congress viewing development as a tool rather than as a US national interest, and therefore providing it neither the necessary leadership nor resources. In contrast, USAID missions are widely respected for their knowledge of the host country and the relevance of their programs, and the USAID brand often is the strongest US Government symbol in a country. The objectives of strengthening USAID are to make it a more effective Washington policy player and to enhance its ability to deliver country-level programs.

It also is important to acknowledge that USAID is staffed by many intelligent, hardworking, dedicated development experts caught in an environment and structure that are less than encouraging to innovation and creativity.

**ELEVATION AND COHERENCE** – A fundamental objective of foreign assistance reform and modernization is to elevate the development function within US government policy councils and the enhance the coherence of US development policies. With some twenty US government agencies involved in providing development assistance, there is no government official whose full time job is to oversee the wide range of development policies and activities. This means the development function often is not represented in senior policy councils and there is no single government development policy maker who can speak authoritatively for the US. A foreign official wanting to understand or negotiate US policy on food and agriculture in developing countries, or HIV/AIDS, has to meet officials at multiple US agencies and then try to figure out what US policy is and with whom it is best to deal. US representation at development-focused international meetings shifts from one forum to another, resulting not only in a lack of continuity, coherence, and follow up, but requires intense inter-agency negotiations that can be cumbersome and lead to lowest common denominator positions. The result is the US approach is fragmented, decreasing the leverage and results from our investment in development.

Among the steps that would elevate development and enhance coherence are:

- Appoint an administrator respected for his/her strong development, political, and leadership skills to head the Agency for International Development
- Designate the administrator as a permanent member of the National Security Council and give him/her the authority to convene around issues of development
- Formulate a global development strategy
- Rebuild the cadre of development professionals at USAID
- Consolidate core development activities in USAID, including those from the Department of Defense, along with the commensurate resources.

## **STREAMLINE AND CONSOLIDATION – THEN COORDINATION**

### **Consolidation**

A key initial step is to bring like functions and programs together in the same agency. The goal is to achieve efficiency and consistency by streamlining and consolidating similar activities and programs. Some of the greatest efficiency gains will come from reducing duplication in program planning, management, and implementation capacity (why do USAID and the State Department make grants to civil society organizations in the same country!). The process should involve identifying best practices that can be preserved and spread to all component activities. It may be appropriate for some programs that are consolidated into a single agency to maintain certain of their unique characteristics and identity... Guidelines for consolidation would include:

- Consolidate those functions which have development as their primary goal
- Maintain as separate those programs that have mixed goals, such as OPIC and TDA.
- Functions that have unique characteristics and a clear brand (MCC; PEPFAR) can be consolidated but can retain those characteristics and maybe even their identity.

### **Coordination**

This does not mean consolidating all development-related functions, as certain entities that have dual functions (OPIC, TDA, ExIm Bank) may best be carried out as independent or quasi-independent entities. So, coordination across government assistance activities is an important process for avoiding duplication, inconsistency, and conflicting policies and practices. This coordinating function would typically be led by the principal development agency --USAID and NSC now jointly chair the Development Inter-Agency Policy Committee.

## **SEPARATION AND INTEGRATION**

It may appear contradictory, but the development function needs to be both separate from and integrated with other US government functions.

### **Separate**

On one hand, the determination of certain policies (i.e., sector strategies; policies for collaboration with donors and other development partners), the design and implementation of development programs, and formulation of the development budget, need a degree of independence and separation from the demands of other government agencies. The Department of State and USAID are natural allies in international affairs, but the expertise and culture of the two agencies are very different. Diplomacy is focused on political analysis, reporting, and negotiating; the development function on social and economic analysis, program implementation, and performance measurement. The knowledge, experience, and analysis required to conduct US foreign policy are very different from that required to assess a country's development needs and manage an education or health program. Planning and accomplishing long-term development activities are fundamentally different from responding to the immediacy of foreign policy needs and should be led by experts charged with a development mandate.

- USAID needs to be empowered and held accountable for the use of development funds and the management of programs; this accountability begins with the Congress investing the authorities and responsibilities for development in the USAID – thereby making it clear whom the Congress can hold accountable.
- USAID needs to have a direct reporting relationship to OMB, but also needs to closely coordinate its budget with the Department of State, which should have the opportunity to provide input into the development budget and should have access to the proposed development budget as that is important information in building the diplomatic/security budget.

### **But Integrated**

While USAID requires a measure of independence to effective, US development and foreign assistance must be joined (and therefore integrated and coordinated) with diplomacy and defense into the “smart power” called for in recent studies and by the President and the Secretary of State:

- **Global Development Strategy** – The US Government needs a plan for development. It needs a whole-of-government global development strategy, a companion to the national security strategy, that puts all government agencies involved in issues affecting development on the same page. A global development strategy would help bring agreement between the Executive and the Congress on core objectives and would provide a plan as to how those objectives are to be accomplished and the respective roles of government agencies.
- **Country Policy** -- When policies affecting development are under consideration – take Afghanistan and Pakistan – USAID needs to be at the table (1) to inform policy makers as to what likely can and cannot be achieved through assistance and (2) to make sure its policies and programs are consistent with overall US government objectives. These discussions should be informed by the knowledge and experience of a development voice.

- **In-Country** – Another point of integration is at the country level. The USAID mission, working under the leadership of the ambassador, should (1) be the principal, but not sole, contributor to the US development strategy for that country, (2) inform US policy making as to what is achievable in development, and (3) ensure that the US assistance program is consistent with US policy.
- **Exchange of Personnel** -- Another point of integration involves the interchange of personnel and sharing of certain responsibilities. For example, every USAID geographic bureau would benefit by the presence of several State Department officials knowledgeable about the region. And every State Department geographic bureau would benefit from several development experts. Another example is the glaring disconnect between bilateral assistance being the purview of USAID (and other agencies), multilateral assistance under the purview of the Department of the Treasury, and assistance to development-oriented international organizations under the purview the Department of State. These three functions should be joined in the development agency in order to achieve consistency of policy and leverage of US policy and funding. But not at the loss of the expertise and credibility that Treasury brings on financial and debt matters, and that State brings on international organizations. So, one solution is the creation within USAID of an Office of Multilateral Assistance, with all three agencies contributing staff to the office and representation to the multilateral banks and international organizations. This would lead to a more coherent US development policy and more consistent US policies on development across the three agencies.
- **Inter-Agency Collaboration** – USAID is the US government agency with the expertise to design and management development activities in the often difficult context of developing countries. When properly staffed, it would have much of the required sector-specific technical skills. Even so, other government agencies have experts with technical skills and experience useful to the design and management of specific programs. The US Government needs inter-agency structures and incentives that not just allow, but encourage, agencies with specific technical skills to collaborate with USAID in managing development activities.

## **HUMAN CAPITAL**

USAID has neither the number of employees nor skills needed to carry out the development mandate. The number of direct hire staff fell from 4300 in 1975, to 3000 in 1995, to 2417 in 2007. At the same time, the funds it managed grew from \$8 billion in 1995 to \$13 billion in 2007. (The Agency also employs some 4500 Foreign Service nationals in missions overseas) Due to a decade of recruiting freezes, the Agency’s senior cadre of Foreign Service officers are nearing retirement and the mid-career ranks are short on numbers and experience.

Recent administrations have “worked around” this reality by diverting new or expanded assistance functions to other or new agencies and through acquiring temporary contract personnel through a maze of 23 different modes of hiring that are inefficient and

expensive. Some of these contract personnel are providing unique services that the Agency would not normally have on staff; but many are performing what are essential government functions that would more appropriately be handled by direct hire employees.

Rebuilding the human capacity of USAID is an essential part of elevating development, leveraging the investment we put into foreign assistance, and ensuring that our development efforts are effective. Among the relevant actions are:

- **Build on Recent Staffing Initiatives** – The Bush Administration at the end of its tenure and now the Obama Administration have recognized the short-comings of USAID staffing and have begun to hire and train additional staff. This commitment needs to be sustained over a period of time.
- **Strategic Plan** – USAID should craft a human resource strategic plan that flows directly from the Global Development Strategy, specifically as to how it sets forth the objectives, priorities, and the type of organization and program management that will best meet U.S. foreign assistance needs in the 21<sup>st</sup> century.
- **Float** – Like the military, USAID should have a designated float, e.g., 10%, of staff that are engaged in professional development: management and language training; advanced education and technical skills; assignment to other governmental, international, and private-sector organizations.
- **Career Development** – USAID should have integrated career maps, competency models, and training plans to effectively develop employee skills and knowledge. Training and development opportunities should address technical, management, language, and leadership skills for both Foreign Service and Civil Service staff.
- **Operating Expenses** – In place of a separate account for operating expenses, a notional percentage of program funding should be provided for administrative expense, much as is done in other federal agencies. It is important to acknowledge that the work of many USAID employees is devoted to advancing the agency's policies and programs and is part of the development process, not just administrative overhead.
- **Hiring Authorities** – Hiring authorities should be consolidated into a smaller but flexible set.
- **Tap Outside Skills** – Knowledge and skills advance faster than any single organization can keep pace with. AID needs the most advanced and current knowledge and information to deal with the complex issues of development. It can access those through: professional staff development; a fellows program that brings academic, research, and private-sector experts into staff jobs for 6 months to 2-5 years; and contracting for particular skills (through carefully developed mechanisms, not the current maze of work-arounds).

## PLANNING

Among lessons to be learned from the US military is that planning is essential to achieving outcomes. Identifying where and how to spend resources in order to achieve desired results is a priority to the effective delivery of assistance. USAID once had a relatively effective strategic planning process, built around five-year country plans that delineated development priorities for US assistance to a country. These strategies were developed by the USAID country mission, with technical expertise and strategic guidance from USAID headquarters and consultants, input from local governmental and civilian experts and leaders, and input and review by staff from the Department of State and other relevant US government agencies. This approach to country planning was phased out in 2006. That same year USAID's ability to engage in broad strategic setting, policy formulation, and budget planning was stripped away with the shifting of most of the personnel of the Bureau for Policy and Planning Coordination to the new Office of the Director of Foreign Assistance ("F") in the Department of State. Accompanying this shift was a concomitant centralization of policy making and budgeting in Washington, in the new "F" bureau. Just as the global development community is coming to recognize that effective development assistance requires local ownership and design/implementation of programs, USAID has been deprived of this very capability and traditional strength of well staffed and empowered country missions.

Actions to rebuild and strengthen the US government's ability to engage in strategic planning and policy making include:

- **Global Development Strategy** – Consistent with the quadrennial defense review, prepare a government-wide Global Development Strategy to articulate the role of development in promoting US interests in the world and the priorities and means with which it will pursue development goals. The process by which the strategy is developed is as important as the content and should be open and transparent and involve all relevant agencies, with input from the Congress and civil society.
- **USAID** – As explained above, restore USAID's ability and authority to engage in strategic planning, policy formulation, and budget planning and to be responsive to specific country needs and circumstances.
- **Decentralization** – Return to a more decentralized country planning and budgeting process that empowers USAID missions (and therefore also the US embassy team) to determine program and funding priorities.

## GRAND BARGAIN – REPLACE THE FAA

Agreement on a US global development strategy, reached through an open and transparent process, is one of two mechanisms for achieving a new grand bargain between the Congress and the Executive Branch on the objectives and priorities for US

foreign assistance – the other is a new law to replace the Foreign Assistance Act of 1961 (FAA) and related legislation. Almost fifty years old, designed at the height of the Cold War, amended hundreds of times, running over 700 pages, setting forth an untold number of objectives (an accounting 20 years ago came to a total of 33)<sup>3</sup>, and filled with inconsistent provisions, the FAA is past being revised and should be replaced. Recognizing the debilitated state of the FAA, in recent years the Congress has punted by enacting new or revised foreign assistance programs either through providing “not with standing authority” (which appears 275 times in various foreign assistance statutes!)<sup>4</sup> and through free standing statutes (there are now some twenty related foreign assistance laws!). In combining the authorizing authorities for all foreign assistance programs into a single, updated statute, the process will bring the Congress and the Executive Branch into closer accord on the fundamental purposes and priorities and conform assistance policies and programs to the realities and dynamics of a post-Cold War, 21<sup>st</sup> century.

## OPERATIONAL PRINCIPLES

A global development strategy and a new governing statute should reflect best practices. There has emerged in recent years an expanding consensus on key principles that are essential to effective development. These principles include:

- **Ownership and Participation** – Ownership and Participation by the intended beneficiaries (government, local communities, local organizations, individuals) is critical if an activity is to be relevant, accepted, and subsequently sustained. In general, our development activities should support partner country priorities.
- **Harmonization and Alignment** – Harmonization and Alignment of objectives, assistance activities, processes, and requirements among donors and stakeholders can enhance the effectiveness of assistance activities and reduce duplication, inconsistencies, contradictions, and burdensome demands on the time and resources of the host government and local communities. These goals should be implemented in a manner that respects the benefits that come from diverse approaches and multiple partners.
- **Results Management** – To be effective, assistance activities must be designed and managed to produce identifiable and results. What must be avoided is letting this worthy objective interfere with long-term impact. Development takes time but managers need to show results “now”. The imperative to “show results”, and the US-centric, bean-counting approach of GPRA<sup>5</sup>, can lead to activities that show quick outcomes and can be quantified and make nice photo-ops but contribute little to sustainable development.
- **Transparency and Accountability** – Donors and recipients must be accountable for their actions. The best path to accountability is transparency in budgets, decision making, and implementation. Also instrumental is effective monitoring and evaluation. Only rigorous, objective monitoring and evaluation will produce the

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<sup>3</sup> Committee on Foreign Affairs, *Report of the Task Force on Foreign Assistance*, February, 1989.

<sup>4</sup> Oxfam America, *Failing the Cardozo Test: Why US foreign assistance legislation needs a fresh start*; and updated Oxfam memo, March, 2009.

<sup>5</sup> Government Performance and Results Act of 1993

information and knowledge necessary to know whether assistance activities are effective and to inform whether and how they should be continued or modified. Development activities and their evaluation must be based on realistic goals and should be designed to be of benefit not just to donor organizations but also to the intended beneficiaries and indigenous institutions.

- **Analysis** – Benchmark data and solid analysis of relevant political, social, and economic factors are critical to the design and implementation of effective development programs. The clearest example is the importance of careful gender analysis. Too often women, and sometimes men, are left out of the development process because of inadequate consideration of the respective roles of each in the dynamics of a family, a community, a nation. Women and men have different roles in home life, in the economy, in governance; they have different health needs; education systems can be skewed to the exclusion, more often of women, but sometimes of men. Men and women play different roles and respond differently, so policies and activities must be based on careful gender analysis to ensure that both sexes are brought into the development process if assistance is to be effective and development is to benefit the broadest population. Leaving half a population group out of development retards progress and is inequitable.

## **PROCUREMENT**

USAID has a procurement system that has become, over time, cumbersome, opaque, and, at times, a confusing administrator of development funds, seemingly more focused on program administration than achieving development results. This is partially due to the Agency being severely understaffed, not provided with the key investment necessary to develop and implement efficient management systems, and its diminished role in implementing the overall development agenda for the U. S. Government

It is not that the Agency has been unaware of shortcomings with its procurement system. It is implementing a new software (GLAAS) that should improve the flow of and access to information. It is undertaking a major initiative to bring on new staff. The Administration needs to bring concerted leadership and commitment to modernizing USAID's procurement system.

It should be recognized that in designing means for contracting and procuring development services there are few absolutes and the process is fraught with tensions. Carrying out development activities involves a balancing of conflicting objectives and goals, including:

- The need of policy makers and program managers to demonstrate short-term results versus the long-term nature of development
- The importance of accountability versus the need to take risks
  - And, to join these two together, the conflict between showing near-term results versus demonstrating sustainable results – you can demonstrate action by counting the inputs and outputs, but those are hardly results – sustainable results require time, innovation, and risk taking

- The benefits of sustained partnerships between the Agency and its implementing partners versus the need for open and fair competition
- The roles and authority levels between headquarters and that of USAID country and regional missions
- Transparency and accountability versus the need for prompt action
- Balance between the sometimes competing perspectives and priorities of the Congress, Executive Branch, USAID country missions, host government, and American and local civil society.

Modernizing procurement starts with many of the recommendations set forth earlier in this testimony, particularly with good planning – promulgating a **global development strategy** so there is a level of commonality between the Administration and the Congress on development priorities and expectations – and continues through other recommended steps designed to elevate and bring coherence to the development function.

Among the aspects of procurement and contracting that could be improved are:

**Staffing** – USAID’s Office of Acquisitions and Assistance is experiencing large numbers of staff who are leaving the Agency through retirement and transfer to other agencies. While USAID has been able to attract some new staff—for example, mid-level staff transferring from other U.S. government agencies or the private sector—the process has been unfortunately slow. The resulting staffing shortages has caused Contracting and Agreement Officers to assume even larger portfolios in order to oversee the increased procurement activities of the Agency. This increased work load also impacts the contractors and NGOs working with USAID as the response time is reduced. USAID needs a larger number of procurement staff that are better trained with well-thought out incentives to keep that staff at the Agency.

**Rationalize staff time** – As a result of many of the regulatory requirements much staff time is devoted to checking boxes, responding to administrative requests that require approval, and, at times, micromanaging contracts and cooperative agreements. The number of administrative approvals that a USAID implementing partner has to obtain on an USAID contract can be staggering. For example, some contracts require not only that all staff be approved prior to hiring, but each time a consultant is used, that person must go through an approval process as well. In addition, travel must be authorized and approved, as well as most purchases of equipment. While USAID does have a fiduciary responsibility for the funds it disburses, many of these items were already disclosed and approved in the implementing partner’s proposal that was negotiated and awarded. Thus, further approvals of the same items seem to be redundant and a misuse of valuable USAID staff time, not to mention creating time-consuming paperwork and delays for the implementing partner. In issuing a contract or a cooperative agreement, USAID contracting officers have to certify the ability of the implementing partner to carry out and manage the activity. If USAID were to let the implementing partner manage the project without the added constraints of layers of duplicative approvals, its fiduciary responsibility could still be assured by annual audits that can catch any abuse or potential

weaknesses in the implementing partner's internal management systems, freeing up USAID procurement officials to focus on higher level functions.

**Transparency** – Providing advance information on upcoming solicitations is one easy way to improve the quality and relevance of proposals submitted by implementing partners. In some situations USAID provides the development community with draft requests for proposals (RFPs) and requests for applications (RFAs) for their comments. In providing such input, USAID implementing partners assist in refining the RFP/RFA draft scope of work, both technically and financially/contractually, resulting in a better RFP/RFA. Having such expert input does not diminish competition or unduly influence USAID, but in fact, provides USAID with a better product with fewer questions and delays during the procurement process and post-award. Given the low staff numbers currently at USAID, having this extra input is almost like providing another level of staff to the Agency.

Furthermore, making public longer-term procurement forecasts and background documents produced in preparation for a solicitation would permit bidders to be more responsive and understand better the needs of the Agency and the country where the program will be undertaken. Transparency keeps public and implementing partners informed on the Agency's plans and priorities, allows the public to better hold the Agency accountable, and produces a better informed and responsive constituency. The transparency should include periodic meetings with partners that are substantive, air misunderstandings and problems, and produce specific steps to improve the relationship.

**Clarify mechanisms** -- USAID's principal funding mechanisms – grants, cooperative agreements, and contracts – have become conflated and the distinctions between them clouded. Procurement rules governing contracts differ widely from those of cooperative agreements and grants, and are governed by separate U.S. government regulations and directives. To ensure that they follow the regulatory intent and do not add an extra burden on themselves or the recipient of a contract or cooperative agreement, USAID staff need clear guidelines under what circumstances each contracting instrument is appropriate and staff training on using the guidelines. In some situations, procurement officers include language in cooperative agreements that procurement regulations specify should only to be used in a contract, often resulting in the implementing partner having to provide additional levels of documentation or certifications. These extra requests are not only an additional burden to the implementing party and contrary to stated procurement regulations, but often result in heavier burdens on the contracting officers in the amount of data they then must review, which can extend and delay the time period of a procurement. Every solicitation should explain why the particular mechanism [grant, cooperative agreement, contract] was chosen with standardized requirements in each mechanism, allowing greater efficiency in the procurement process.

**Unified rules and regulations** – Unclear, inconsistent rules and regulations, and government-wide regulations that are inappropriate in developing countries, raise costs and cause confusion and caution – even inaction. USAID (with some leeway and authority from the Congress and OMB, such as on FAR and GPRA) needs to make its

rules and regulations simple, clear, consistent, and relevant to the circumstances. The result would be an increase in efficiency and effectiveness of US assistance.

**Collaboration** – With the expansion in the number and variety of development donors – countries, international organizations and funds, private foundations, corporations, individuals – and the growing importance of local ownership of development activities, USAID rules and regulations need to encourage leveraging US assistance and collaboration – within the US government, with the US private and NGO sectors, with other governments, and with local civil society. Collaboration requires flexibility, innovation, and risk taking.

**Innovation** – USAID has developed a reputation for being risk adverse and discouraging innovation. In the private sector failure is considered a risk of doing business and innovation is rewarded; in government failure is not allowed and innovation is stifled. Despite the failure (along with some success) in the US of countless private and public efforts to bring progress to many blighted urban and rural areas of our country, we expect all our efforts in some of the most challenging environments in the developing world to bring success. That is not going to happen, especially if those responsible for our investments are denied the flexibility to innovate and design interventions that are responsive to the particular conditions. The Congress needs to send the message to those responsible for our development policies and programs that innovation is good and to be encouraged and that it understands not all activities will be successful. In fact, mistakes in some failures have produced lessons learned and redesign better approaches, resulting in better programs that otherwise might not have occurred. While failures must be minimized, we must allow for them to happen, especially in new areas where there is little past experience to draw upon. Misuse or corrupt use of development dollars is unacceptable; failure that stems from innovation and programmatic risk-taking should be viewed as part of the development learning process.

**Results – better, more rationale M&E** – The trend toward focusing on the results of development projects is a good thing. We should care about whether our development dollars are invested in ways that improve peoples’ lives. But the demands of Congressional and Executive Branch stakeholders for results, particularly quantitative results, too often are dumbed down to general administrative matters. The “F” process created some 400 indicators for US development activities that were both much too detailed and yet didn’t come close to measuring the full range of US development activities. Clearly it is important to have good quarterly and annual monitoring of projects to make sure that the intended outputs are produced and money is spent as intended. But more important is to have an effective evaluation system that judges the outcomes and results and produces lessons learned. An effective evaluation system needs to have “ownership” by the Agency but also a degree of “independence” to protect the integrity of its methodology and findings.