# Foreign Policy and Development

## Structure, Process, Policy, and the Drip-by-Drip Erosion of USAID

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# FOREIGN POLICY AND DEVELOPMENT

## STRUCTURE, PROCESS, POLICY, AND THE DRIP-BY-DRIP EROSION OF USAID

***Gerald F. Hyman***

## Introduction

Most bilateral government donors, including the United States, are rethinking the relation between their foreign policy and their development policy. Implicit in that rethinking are the organizational forms they take and the relations between them. How independent should development be from foreign policy? Should they have separate organizations? If so, what should the relations be between the foreign ministry and the development ministry or agency? A majority of government development programs are part of or connected to the respective foreign ministries. The United States and the United Kingdom are in the minority. The U.S. Agency for International Development (USAID) is not (yet) fully integrated into, or part of, the Department of State. Indeed, several articles cosponsored before the last presidential election by Obama campaign insiders now in charge of foreign policy and/or international development policy argued that the United States should have a separate development agency of *cabinet rank*. The Obama administration has instead augmented a trajectory, well developed over several preceding administrations, by which USAID has gone from an independent development agency to ever greater policy and organizational integration with the Department of State. With that integration, the distinction between development policy and foreign policy is, like the Cheshire cat, harder and harder to discern; not a great deal of difference remains other than their two distinct smiles.

Ironically, while foreign assistance has grown in importance in U.S. foreign policy over the past two decades, it has deteriorated organizationally, substantively, and procedurally. It will not take long to see how great a difference the deterioration in structure and process will have on development content. Already, the tangible erosion has had discernable, negative effects on the quality of analysis, internal discourse, and decisionmaking. President George W. Bush nearly doubled official development assistance between 2003 and 2009 (although most of the addition went to programs for Afghanistan and Iraq).[1] In his proposed budget for 2010, President Barack Obama has promised to double it yet again.[2]

Notwithstanding the additional resources, the Bush administration gave a giant push to the dismantling of the original architecture of foreign assistance, and the Obama administration appears to be adding to the debris. Moreover, the story and the lessons of the destruction go well beyond foreign assistance. They go to the sociology of bureaucratic organization more generally throughout government. They exemplify the laws of unintended consequences. Structure and process are not independent of one another. And both have effects on policies, programs, and outcomes. The inclination of bureaucratic architects anxious to solve some clear problem or to respond to some political imperative by moving organizational boxes, changing procedures, embarking on innovations, or leaving a mark can have a salutary effect on a bureaucracy prone to inertia. But without looking both deeper and broader, without taking a larger, more holistic perspective and asking what the implications of the changes will be, they can also have deleterious effects, often in unanticipated ways and areas, especially when they are the product of new senior appointees unfamiliar with the structures they want to remake.

All bureaucracies are both systems and parts of larger systems. And few changes are not also accompanied by new problems. Few are unadulterated and universal successes. Most have strengths and also weaknesses, sometimes hidden ones. Indeed, most have multiple consequences, direct and indirect. The systemic effects, sometimes more consequential, are too rarely considered when the reforms are conceived and designed. Instead, the problems the reorganizations are designed to address overwhelm consideration of systemic impacts. Foreign assistance reforms are merely illustrative of these larger principles. The bipartisan story of deterioration over four different administrations (two Republican and two Democrat) may seem a bit dry, full of small, apparently inconsequential steps, but together those steps have carved a regrettable path, one with deleterious consequences for development and one that illustrates how good intentions can have systemic dysfunctions.

## Development, Foreign Policy, and National Security: New Bedfellows

A little over two decades ago, USAID was the undisputed home for virtually all U.S. foreign assistance programs. No doubt, there were a few stray programs managed and implemented outside USAID and the Department of State, but they were relatively marginal. True enough, foreign assistance was half as much during the 1990s as it is now, and it was regularly under political attack: why should U.S. taxes go abroad to wasteful programs when there were so many

[1] Organization for Economic Cooperation and Development (OECD), "ODA by Donor," July 2010, http://stats.oecd.org/Index.aspx?DatasetCode=ODA_DONOR.
[2] Office of Management and Budget, *A New Era of Responsibility: Renewing America's Promise* (Washington, D.C.: GPO, 2009), p. 32, http://www.gpoaccess.gov/usbudget/fy10/pdf/fy10-newera.pdf.

underfunded domestic needs? Ironically, however, as its budget was being doubled, USAID's control of its own house was deteriorating.

The second irony: some of those who were themselves instrumental in the proliferation of programs throughout the government suddenly seemed "surprised and appalled" at the "incoherence" they found when they subsequently changed positions and became responsible for explaining and even defending the structures and procedures of the U.S. government's development efforts.

The third irony lies in the classic aphorism about being careful what you wish for lest you get it. USAID and "the development community," which was its lone support, wished for more funds, greater importance and increased centrality for development, and a more pivotal seat at the policy table. They felt ignored, isolated, irrelevant to the big questions of foreign and security policy. They wanted into the larger arena.

They would get their wish, but at a cost they would both come to regret. Both would become far more engaged in security and foreign policy issues. Development would become central to the national security framework along with defense and diplomacy. Notwithstanding the mutual tensions of a long-married couple, their otherwise comfortable relation with one another, their common presumptions and understandings, and their shared language would be interrupted. USAID would lose its independence and its approach to development, as well as its way of doing business, a way its development partners had come to know if not always to respect. Both USAID and its partners would grow concerned—ambivalently—that in exchange for their centrality, the fundamental development agenda, as they saw it, might be polluted by security and foreign policy objectives.

## The USAID Process

Lost (or at least subsumed) in the shuffles and struggles was USAID's own strategy and programming process. Over many years, USAID's strategy procedures had developed into a policy discussion, a kind of minuet, among four different internal organizations, each charged with a different policy concern and each informed as well by various external stakeholders. The balance between the four and their respective perspectives was designed, when it worked well, to come to a conclusion that incorporated the agency's entire set of interests, including the country perspective, field consultations, best practices, donor coordination, and also U.S. foreign policy.

The first perspective was that of the field mission. Unlike most other donors at the time, bilateral and multilateral, USAID had a long history of decentralized decisionmaking. The field mission was the atomic unit of USAID, composed of one or more USAID direct foreign service officers, some number of U.S. or other international long-term contracted staff—personal services contractors (PSCs)—who were often the mission's technical specialists, and (very importantly) many locally contracted staff or "foreign service nationals." The mission was responsible for analyzing the country's development problems, crafting a strategy for addressing them, building and prioritizing assistance programs to implement the strategy, monitoring and evaluating the results, and reporting back to Washington on the entire mix. The field mission, not headquarters, bore the primary responsibility for USAID's program in the country. It was part of the U.S. government "country team" of course, under the ultimate authority of the U.S. ambassador. But ambassadors varied in the degree of their management of or engagement in the assistance program. All of them signed the cover sheet transmitting to Washington the proposed strategy and the various annual reports on its execution. Some were very engaged in the design and implementation of the strategy and program. Others delegated almost the entire process to the USAID mission director, reserving to themselves only titular authority. All of them wanted to preside over the unveiling of new projects. The majority wanted to be the public face of the assistance program. But in many countries, primarily where the United States had relatively few core national interests, the USAID mission director, who "controlled" substantial assistance resources, was more intimate with the host-government ministers and even the public than the ambassador. The mission was supposed to know the country, consult with local stakeholders, take into account the available human and material resources and limitations, and on that basis, develop a strategy to help move development forward.

The second strategy perspective was of the regional bureau in Washington. Each field mission was part of a regional bureau. Two (Africa and Latin America and the Caribbean) never changed. Asia and the Near East (ANE) was in regular flux, as different USAID administrators decided that one or another of its three subregions (East Asia, South Asia, and the Near East) should be divided, recombined, or amalgamated with some other USAID unit. The Bureau for Europe and Eurasia began in 1990 as a task force in ANE, then an ANE office, then the Bureau for Europe, then the Bureau for Europe and the New Independent States (after absorbing the separate Office for New Independent States), and finally the Bureau for Europe and Eurasia, in each case reflecting the changing developments in Central Europe and the former Soviet Union but also turf battles within USAID. The assistant administrator for the region was responsible for nominating the field mission director to the USAID administrator. The mission director had, really, two bosses: the ambassador and the regional USAID assistant administrator. That arrangement worked harmoniously most of the time, although sometimes there were differences of interest and perspective between the ambassador (reporting to the secretary of state) and the regional assistant administrator (reporting to the USAID administrator). While USAID was an independent agency, the assistant administrator usually won the less cosmic disagreements because the ambassador had limited authorities over USAID, the ultimate weapon being to expel the USAID mission director but not really many less cataclysmic ones. In USAID's strategy process, the assistant administrator was responsible for the regional perspective, the interactions of one country program with another (if any), and its effect on regional developments. Moreover, the regional bureau was responsible for the geographically based connection between USAID and the State Department, so the assistant administrator, along with the ambassador, represented the U.S. foreign interest to the field mission director and in the strategy process.

The third strategy perspective was that of the technical officers, the specialists in health, agriculture, economic growth, environment, democracy/governance, and the like. They too were sometimes reorganized. In the field, these were the direct-hire U.S. foreign service officers or, frequently, the PSCs. In Washington, they were part of the regional bureau. In the Clinton administration, many of them in Washington were centralized into a technical bureau (as opposed to residing in the regional bureaus), although some were left in the regional bureaus to advise the regional assistant administrators on "technical" issues. In the country strategy process, the technical officers, especially those in Washington, were to represent three interests: the regional or global perspective on their technical areas, for example on pandemics or on water resources or on economic growth; the state-of-the-art thinking and "best practices" in their respective technical areas; and the technical perspective on that particular country, unadulterated by the give-and-take of prioritization between subject sectors within the mission, including the inevitable compromises in which the field technical officers took part and on which they may have been quietly pressured to concur.

The fourth perspective was that of the Bureau for Policy and Program Coordination (PPC). PPC was the administrator's direct policy staff. It provided the administrator, all of the central bureaus, and all of the field missions with policy guidance. It was also the location of highest level of donor coordination, for example with the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD) in Paris. It was responsible for recommending the balance among regional bureaus in the global allocation of USAID's resources, and for many years, it was complementarily responsible for putting together USAID's annual budget submission. It was the ultimate check on the regional bureau, the ultimate policy "mind" of the agency, and (on and off) the ultimate keeper of its budget and resources.

Foreign policy considerations were represented directly by the ambassador and country team through the mission and any State Department officers who attended the country strategy review in Washington—but more often indirectly by assistant administrators responsible for the regional bureaus, who held regular meetings with their State Department counterparts; by PPC, which had the most constant access to the administrator; and even by the technical officers, who had steady contact with the State Department, especially when USAID had offices in the department's main building.

So the strategy minuet was the conversational dance between these four perspectives and bureaucratic institutions. Every three to five years or so, USAID drafted a new strategy for the country. If not much had changed, if the previous analysis still seemed right, if the old strategy seemed to be producing good results, it was repackaged and renewed—"steady as she goes" so to speak. But if, as was more usual, there were substantial changes that required a rethinking of the strategy, they were reflected in a new draft strategy. The four perspectives were brought together, literally, at a large table over the better part of a week to review and debate the new country strategy.

The field mission was responsible for drafting the strategy. It presumably knew the country and its needs, would propose the resource trade-offs between technical areas, and would be responsible for implementing the strategy. But, for the reasons elaborated above, the mission's view was carefully reviewed and sometimes challenged by the other three perspectives. The mission director was required to come to Washington to "defend" the mission's strategy at a set of meetings cochaired by the regional assistant administrator and the assistant administrator for PPC, but attended by the technical officers, officers from the State Department's regional and functional bureaus, and other interested U.S. government agencies.

The cochairmanship was important. It represented checks and balances: the country, the region, and the policy of the administration. If the regional administrator did not like the strategy, he/she could order "his/her" mission director to change it. If PPC did not like the strategy, it could bring its policy brief to the table and invoke its authority either to take the matter to the administrator or to propose a reduction or redirection (rarely an augmentation) of the mission's budget to reflect the agency's policies. The mission may have been the primary, and the regional administrator the secondary, author of the strategy, but PPC and the technical officers were literally "at the table" so that the larger interests of the agency and development were directly and forcefully represented. They had the authority to stop the strategy from being adopted, at least temporarily, so that issues beyond geography could be raised to the administrator, and with force at that. Of course, there were the usual bureaucratic constraints on all those "at the table" and the usual social and political accommodations tempered the outcome. But within the realm of normal social behavior in any bureaucracy, the checks and balances were designed at least to elicit the different perspectives and to be sure that they were properly taken into account. And that design worked reasonably well. The proposed strategy had a serious, fairly deep review, and the final product represented the considered perspectives and interests of a variety of actors.

From the beginning, it is true, the USAID strategy process applied differentially to different kinds of congressional funding and, for the largest funding sources, was substantially affected by the Department of State, notwithstanding USAID's standing as an independent agency. The largest funding category programmed by USAID, for example, was not the so-called development assistance (DA) fund/account, which was under USAID's direct control and was dedicated purely to supporting development. The DA account was applied for developmental purposes to countries that showed substantial promise for developmental progress and in which DA funds would show substantial promise of contributing to it. The largest account, rather, included the misleadingly named "economic support funds" (ESF). Notwithstanding the name, ESF was only partly about economic support. At bottom, it was about foreign policy needs and priorities and, especially during the Cold War, about supporting U.S. allies.

For example, the Philippines received very substantial amounts of ESF-based "development programs," not because it was a model for development but because it housed the U.S. Navy at its huge base at Subic Bay and the U.S. Air Force at its huge Clark Air Base. Those bases were crucial to the U.S. presence in the Pacific and to the ability of the United States to project force in Korea, the Sea of Japan, Southeast Asia, and all the way west through the South China Sea and the Persian Gulf. It is true that USAID programmed the ESF funds and decided, with the general approval of the government of the Philippines, how they should be used. And it is true that USAID's strategy process was the way such decisions were made by USAID. But the amount of ESF and its overall direction was under the State Department's authority. Often, the department got deeply involved in the details as well, because ESF existed—and continues to exist—primarily to support U.S. foreign policy not primarily to support sustainable development.

Similarly, Turkey (much poorer then and beyond comprehension as a partner in anything like the G-20) received very different amounts of ESF depending, not on its needs, which were fairly steady, but on the quality of the relationship between the United States and Turkey, which varied. For many years, Egypt received $750 million annually, not because Egypt was a good candidate for development progress, but rather because that level of support was a part of the Camp David Accords between Egypt and Israel under President Jimmy Carter's auspices. Again, USAID programmed the funds but only with the concurrence of the government of Egypt on virtually every dollar. So ESF was used developmentally but for foreign policy purposes. Still, ESF programs were the outcome of consultations between the majority partner (State Department) and the minority partner (USAID), and USAID depended on its own strategy process for the specific programs and their mix in the conversations (sometimes even negotiations) between the two.

## The Step-by-Step Erosion of USAID Structure and Process

That strategy process was to become the casualty of a series of reforms designed most often to centralize decisionmaking and to do so in the hands of the State Department, so that foreign policy considerations, as against development ones, were not just part of the mix, but a much more dominant, perhaps even predominant, one—and not just for the ESF budget appropriated by Congress for "foreign policy reasons" but also for the entire development portfolio. The process was to become the casualty, as well, of the progressive diminution of USAID's independence and the progressive incorporation of USAID into the Department of State. The two are intimately related, of course, and that is the sociological lesson: the structure and process of an organization matters to its substantive decisions and outcome.

### The George H.W. Bush Administration

The first blow was struck in the administration of George H.W. Bush. His secretary of state, James A. Baker III, had little interest in development, had few thoughts about it, but was quite certain that it had a very limited role in U.S. foreign policy per se. He did not much want to be bothered by it himself, nor did he want the State Department to be bothered by it very much. But from time to time, he wanted funds to be directed at this or that country for this or that foreign policy purpose. He had plenty of opportunity to do so because of the relatively large amount of ESF funding, relative to DA funding, and because ESF was under the policy direction of the State Department. Moreover, he had President Bush appoint a compliant administrator for USAID, Ronald Roskens, who did not have deep knowledge about development either, but who did know that when Baker wanted something done it was best to make sure that it happened.

The fall of the Berlin Wall changed Baker's calculations significantly and quickly. The disappearance of the Iron Curtain and the prospect of a new world in Europe presented a very different foreign policy opportunity, a revolutionary one. After two generations of Cold War, Central Europe was open to transformation and then integration with the West. Central European reformers had seized their states and the future of Europe. The chance to contribute to that revolution galvanized Baker and the State Department. But it also captured almost every other U.S. department and agency. Each found a way to help and mounted a program to do so. The Departments of Defense, Treasury, Justice, Commerce, Agriculture, Labor, Health and Human Services, and even, Interior, joined the effort, as of course did those with traditionally international mandates like the Overseas Private Investment Corporation and the Trade and Development Agency. USAID and the State Department led the procession, not by organizing the others, but by running hard to remain in front of the other agencies that operated independently with their own budgets. Even Congress created its own self-administered assistance program for sister parliaments, notwithstanding the constitutional separation of legislative from executive functions.

Baker moved to capture the moment and in the process to try to ensure the primacy of the State Department across the government. He worked with Congress to pass a mammoth new assistance program under the Support for East European Democracy (SEED) Act and to ensure that the State Department would control it. The SEED Act authorized the expenditure of funds for assistance to Poland, Hungary, and (at the time) Czechoslovakia and directed that the president designate a supposedly government-wide "coordinator" for the now-authorized assistance.[3] The SEED program was initially intended to be a short program, only three to five years, to help otherwise industrial countries to transform themselves economically into free markets and politically into democracies, and then to join Western Europe. USAID was known for mounting long-term development programs in very different kinds of countries and for building its field missions, regional bureaus, PPC, and so forth. Baker wanted none of that superstructure for the short, in-and-out program for the three Central European countries. So the Central Europe program would be designed and managed in Washington. There would be no long studies and no complicated strategies, structures, or processes. Unlike developing countries, whose political elite often had little real interest in economic or political reforms, Central European reformers demanded them, so there was no need to agonize about political will or sequencing or trade-offs; the problem was simply to get the assistance to them as quickly and efficiently as possible. Moreover, there would be no country presence apart from the State Department's embassies, certainly no USAID field missions, except perhaps (grudgingly) a junior

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[3] Sec. 5461 of the SEED Act (Policy coordination of SEED Program) states: "The President shall designate, within the Department of State, a SEED Program coordinator who shall be directly responsible for overseeing and coordinating all programs described in this chapter and all other activities that the United States Government conducts in furtherance of the purposes of this chapter." Pub. L. 101-179, title VI, Sec. 601, Nov. 28, 1989, 103 Stat. 1319, http://uscode.house.gov/download/pls/22C63.txt.

officer in each country to create a presence and assist the Washington staff when it came to town. It never crossed Baker's mind that the coordinator for assistance to Central Europe would be Roskens, the acquiescent but somewhat languid USAID administrator. Baker nominated Deputy Secretary of State Lawrence Eagleburger, a career department officer steeped in Central Europe and a former U.S. ambassador to Yugoslavia, as coordinator. But since this was to be a program of limited duration and resources, the appointment was an addition to, not in place of, the rest of Eagleburger's global foreign policy portfolio—certainly not a sideshow but not Eagleburger's only, or even main, event either.

Baker bypassed the USAID administrator, not merely for personal reasons and programmatic reasons, but for bureaucratic reasons. USAID was an independent agency, but it was an agency, not a cabinet-level department, and politically a relatively weak agency at that. The USAID administrator did not, even in theory, have the political or organizational heft to coordinate other cabinet-level departments and agencies. USAID had a close relationship to the State Department, and its administrator unofficially took direction from the State Department—a so-called dotted line of authority from the secretary to the erstwhile independent administrator—especially with respect to the ESF programs. Only the Department of State itself had the political and bureaucratic authority to attempt to coordinate the other departments and agencies, including USAID of course. In actual fact, notwithstanding the legislation, the SEED coordinator under the State Department never did gain practical coordinating authority over any department whose program in Central Europe was funded by its own appropriation as opposed to the SEED appropriation under the coordinator's statutory direction. The only way to have given real teeth, rather than mere putative authority, to the SEED coordinator would have been to remove the appropriations for such programs from the various other departmental budgets and to channel them exclusively under the SEED Act authority, so that the other departments would, as a practical, financial, and legal not just theoretical matter, have had to request their assistance funds from the SEED coordinator. With separate funds, they could pretend to adhere to the SEED coordinator at the State Department by submitting their plans and program descriptions to his office, and he could pretend to coordinate them by holding interagency meetings, but in fact the other departments sent relatively low-ranking personnel to the coordinating meetings while they took their separate appropriations and went their separate ways.

Still, USAID would remain the primary implementer of the SEED funds. True, several offices within the State Department also had SEED programs, and they came under the direct and unquestioned authority of the SEED coordinator. However, since in theory he was just charged with coordination, the coordinator's initial staff was small—around 10 to 12 people—while USAID moved substantial numbers of staff (and hired others) from its other regions to the SEED program. Initially at least, the USAID and coordinator staffs worked together collegially. Nevertheless, there were some disagreements between Eagleburger's coordinating staff and USAID's assistant administrator for Central and Eastern Europe. So when the Soviet Union collapsed almost two years after the fall of the Berlin Wall, and notwithstanding the much longer term that reform would require in the Soviet Union and (by then) in the "southern tier" of Central Europe (Bulgaria, Romania, Albania, and the many parts of former-Yugoslavia), Baker and Eagleburger went a similar route. They proposed a second, different coordinator for the Soviet Union and convinced Congress to include language similar to the SEED Act in the Freedom Support Act (FSA), which was directed at the states of the former Soviet Union.

Almost certainly under direction from Baker and Eagleburger (and certainly with their approval), the FSA coordinator took a much less collegial and consultative attitude toward USAID and a much more directive role. First, he was brought in as a political appointee from the private sector to "take charge," which he did. He was responsible for the FSA assistance program, he said, and he would build a staff appropriate to that task. Moreover, he would decide what programs would be mounted, how much money they would get, and how they would operate. USAID would be welcome to make its opinion known through his staff and at formal meetings, but (*sotto voce*) mostly only when asked and, however important, as one of many actors. USAID might still be *primus*, but it definitely would not be *pares*.

Nevertheless, notwithstanding the dotted reporting line between the administrator and the secretary, USAID formally remained an "independent" agency, which was one reason it needed to be "coordinated." Coordination to the FSA coordinator meant determining, and certainly approving, every line item in USAID's Eurasia programs, even (not infrequently) its individual grants and contracts, although in actual practice the discussions about these programs among the respective staffs were often quite collaborative.

When, later, the SEED and FSA coordinators were merged, it was the worldview of the directing FSA coordinator rather than the more collaborative worldview of the SEED coordinator that prevailed, at least initially, demonstrating one more time that given a choice between more and less authority, a bureaucratic entity will always opt for the former, and that once a bureaucratic entity achieves power and authority, it will cling to it. Any choice then between directing and coordinating would certainly be resolved in favor of directing, no matter what the office title may have implied.

Moreover, the growing integration of all foreign assistance and foreign policy, not just the ESF part, and the growing authority of the State Department over the bulk of foreign assistance and over USAID in particular had begun.

What was lost? Lost (or at least subsumed) under the coordinators' authority and procedures for Central and Eastern Europe and then Eurasia, but not yet for the other geographical regions, was USAID's own strategy process, as well as its programming, implementation, and evaluation principles and procedures. Lost too—or rather diminished—was the developmental as opposed to foreign policy primacy attached to the programs. Indeed the programs for SEED and FSA countries were not even called "development programs." A new term was coined—"transformation programs"—a term that would gain much currency under the second President Bush and his secretary of state, Condoleezza Rice. Diminished, as well, was the bureaucratic independence of USAID. For Central Europe and Eurasia, the dotted line of authority was now solid in these two regions: USAID would report to the State Department, period. USAID and its programs would be an instrument of foreign policy under the State Department. That shift may have been desirable, but it became inevitable, desirable or not.

## The Bill Clinton Administration

The Clinton administration took an additional step. First, however, it made a major mistake, at least from the perspective of the secretary of state. After several potential candidates were rejected (primarily because of factional disputes within the administration), President Clinton, on the advice or at least with the concurrence of Secretary of State Warren Christopher, appointed a much more active administrator, one with a much deeper interest in, knowledge of, and commitment to development: J. Brian Atwood. It did not take too long before Christopher and Atwood had disagreements over the independence of USAID, and Christopher almost surely had some buyer's remorse. The disagreements were not all that deep and could probably have been resolved "in house" so to speak. However, a year or so later, the newly elected Republican chairman of the Senate Foreign Relations Committee reiterated his intent to reduce, constrain, and if possible, dismantle the U.S. development program, especially USAID. As chairman of that committee, Senator Jesse Helms was in a position to affect substantially the Clinton administration foreign policy in general, especially treaties and appointments (for example senior officials at the State Department and ambassadors) that required Senate approval. Helms could delay treaties and appointments indefinitely, or he could bargain approvals for this or that ambassador in exchange for changes in development policies (for example, withhold government funding to groups that disseminated information about abortion options to pregnant women) or the independence of USAID. The negotiations with Helms went on for years, not only on the issue of USAID but on other issues of contention as well. And there were of course differences of interest among Atwood (intent on preserving all or as much as possible of USAID), Helms (intent on reducing USAID and foreign assistance in general and merging the rest into the State Department), and Christopher (intent on getting treaties, legislation, and appointments through the Senate and not unsympathetic to bringing USAID within the State Department's direct ambit). The fissures were all the more difficult and increasingly bitter because Atwood had already been confirmed, with Helms's blessing, for his original position as Christopher's undersecretary of state for management, so Christopher and Helms probably did not expect the tenacity of Atwood's defense of USAID and its independence, especially when Atwood rejected compromises over development that Christopher was willing to make with Helms to gain approval on nondevelopment issues.

Christopher resigned almost four years to the day after his swearing-in. When Clinton's preferred replacement, former senator George Mitchell, either rejected the offer or agonized about it too long, a formidable coalition of women successfully lobbied the president and the Congress for the ambassador to the United Nations, Madeleine Albright, who succeeded Christopher. Albright had much more interest in development than Christopher. For example, she was an active supporter of women's equal participation, and she been a long-standing member of the board of the National Democratic Institute for International Affairs, whose president (before he joined Christopher's State Department) was none other than J. Brian Atwood. A perfect marriage, the two old allies thought—mistakenly, as it turned out.

While Albright and Atwood made common cause in their mutual support for democracy promotion in foreign and development policy, they soon grew apart on other matters of policy and organization, particularly on the appropriate relations between the State Department and USAID and on the development policies the insistent Senator Helms demanded. Like her predecessor, Albright was both willing to compromise with Helms and perhaps not-so-secretly agreed with him that the State Department should be making development policy as well as foreign policy and that USAID should come under the direct, not just indirect, authority of the State Department. It had been a long time since USAID was a truly independent agency. Even as it received statutory independence in 1999, it was never akin to, say, the Securities and Exchange Commission (SEC) or the Environmental Protection Agency (EPA), entirely independent of any cabinet-level department. It was a completely independent agency from its inception in 1961 and then, in 1979, a component of the International Development Cooperation Agency (IDCA), although there was not much more, if anything, in IDCA than USAID.

Instead, various similes tried to capture the fact that an "independent agency" was in substance reporting to and in some sense dependent on another, more powerful one. The simile was "the dotted line" by which the USAID administrator related to the secretary of state. The USAID administrator was on the State Department organogram through a dotted line to the secretary rather than through the solid line of the deputy secretary, the undersecretaries, the various assistant secretaries, and so forth over whom the secretary had unquestioned, direct authority. The dotted line was the guarantor of USAID's supposed independence, while for the Federal Communications Commission (FCC) or the Federal Election Commission (FEC) there was no line at all, precisely because they were truly independent. Unfortunately, the dotted line increased the anxiety, even preoccupation, of USAID about its independence without providing resolution. It was a constant source of tension and uncertainty.

The dotted line, Albright argued, should become a solid one: USAID's administrator should report directly and unambiguously to the secretary of state, and USAID's total budget should be submitted to the Office of Management and Budget (OMB) by the secretary of state, not independently as some of it (in particular the development assistance part of the budget) had been under the dotted line structure. USAID's administrator should not have direct, independent access to the president and should not be treated as a principal like the secretary of state in interagency meetings.

Between Helms in the Senate and Albright at the State Department, Atwood spent an enormous amount of time and energy for the remainder of the Clinton administration defending the integrity of development and of its organization, USAID, independent of, but connected to, foreign policy and the State Department. It distracted him from fuller concentration on his development agenda. And it strained his institutional (although not his personal) relationship with Albright.

Unlike some other USAID administrators, Atwood was himself a practiced political operator. He had spent five years on the staff of Senator Thomas Eagleton. He served as assistant secretary of state for legislative affairs in the Carter administration, and as noted, he was recruited to USAID from an already confirmed position as undersecretary of state for management. He would take the political openings afforded him.

Serendipitously, Vice President Al Gore took upon himself the "reinvention of government." He wanted a leaner, more efficient, more accountable government. He wanted its agencies and departments to pattern themselves more on business. What were their missions? How were they organized and staffed to meet them? Most important, what were their actual impacts (not just their aspirations or public relations), and how did they measure them? Then, how did they adjust their organizations, procedures, and staffs to achieve their missions and impacts more effectively or to achieve greater impacts? How could government reflect some of the best practices of business and reduce or avoid the common criticism of government as an overblown, lumbering, bungling, wasteful, nonresponsive Leviathan, consuming tax dollars but without commensurate output or accountability?

Gore announced his plans and sought to test them among the agencies and departments. There were not a lot of volunteers. But, having already begun reforms consistent with Gore's objectives, Atwood immediately volunteered USAID as a "reinvention laboratory," and not just parts of it (as other departments did) but the entire agency. He created a special group, at least one member from every bureau, to reinvent USAID's planning, monitoring, and operations following the Gore model. The group produced a new way of conceiving of USAID's programs. They would now be organized, mission by mission, not around projects, as they had been for decades, but around strategic objectives. The strategic objectives would be framed not in terms of inputs and outputs but in terms of impacts. Since development was a long-term matter, there would be intermediate results by which to assess whether the investments were yielding impacts likely to achieve the long-term strategic objectives. If the programs seemed off track, there would be adjustments—in the strategic objectives, in the investments, in the measurements, or in the way they were arranged—in order to get on track or to modify the objectives and expectations. (Some of this was sleight of hand directed at the vice president's reinvention program, as if USAID's previous projects did not, for example, have objectives, even measurable ones, or as if no one had ever thought to ask whether they were on track or not. But the rhetorical and political implications of supporting the vice president were conveniently allowed to veil the obvious affinities between the new reforms and the old procedures.) All of it—strategic objectives, intermediate results, impacts, investments—were to be measured by quantifiable indicators. And all of that would be public. Everyone would be able to see what USAID intended to achieve and how well it was doing. The analogy was the manufacturing industry. To the extent possible, USAID would fashion itself after a car company. Gore was grateful to USAID, and he was the vice president. So, Vice President Gore became a USAID ally, at least during the "experiment," which never ended.

In addition, Atwood developed—and used—a “secret” weapon, First Lady Hillary Clinton, who had been one of Albright’s supporters in the uncertainty after Christopher’s resignation. Clinton had made a number of foreign trips, and in every country, Atwood made sure that she spent some time with the USAID mission. He also made sure that her visits with USAID were field trips to some project, not primarily a set of boring PowerPoint presentations with dozens of charts and statistics. She was particularly taken with the programs for the poor, of which naturally USAID had many, and especially when they involved economic or health projects for women and when she could meet the ultimate recipients directly and hear their stories. Statistics and indicators were nice, but they did not make for the deep impressions of inoculated children, educated girls, or successful entrepreneurs, again especially women. Atwood made certain that USAID projects would be on her agenda and that these were the kinds of projects she was shown. On more than one occasion, the first lady later intervened, sometimes directly and sometimes through President Clinton, on behalf of USAID and on behalf of its “independence.” So converted was she that President Clinton once told Atwood: “Every time Hillary travels to the developing world, she asks for more money for USAID.”[4] The irony of those interventions would almost certainly not be lost a decade later when the status of USAID came to her again, this time in her role as secretary of state. Without doubt, she surely came to a more sympathetic appreciation of Albright’s position when she herself was walking in Albright’s shoes.

The resolution of the tension between USAID and the State Department was ambiguous. As a practical matter, USAID’s budget did get a State Department review, so Albright could claim (especially to Helms) that the reporting line was “solid.” But USAID had many independent meetings with OMB, so Atwood could claim that USAID still had independent authority over at least the truly developmental portion of its budget and that the line was still dotted. Meanwhile, on substance, Atwood and Albright were in basic agreement, as they had been for the many years they worked together before the Clinton administration. Albright defended development policies and budgets, and Atwood of course understood that the largest part of USAID’s budget—ESF—has always had the State Department’s policy and often programmatic direction.

In one sense, the ambiguity of USAID’s continuing, but faltering, campaign to assert its independence was also expressed physically. USAID occupied some prime office space in the old wing of the State Department, but not enough to house its entire staff. So some USAID offices were lodged in various other buildings, some near the State Department, others across the Potomac River in Virginia. The State Department also needed more space. So when the department (conveniently) decided to renovate the part of its building where USAID had its offices, including the office of the administrator, Atwood was informed that he should find accommodations elsewhere, not just during the renovations but permanently. On the one hand, the eviction provided clear confirmation of USAID’s diminished standing within the “State Department family.” On the other, it allowed Atwood to consolidate all USAID offices within the new Ronald Reagan Building, but also, since the Reagan Building was eight blocks from the State

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[4] Personal e-mail communication with author.

Department, it simultaneously allowed him to express in stone and mortar USAID's survival as an independent agency.

Overall, Atwood had both won and lost in his battles with the two secretaries of state. He retained the USAID strategy process. Country strategies were still drafted in the field; still reviewed in a process chaired by USAID, not the State Department; still used a procedure cochaired by the appropriate regional bureau and the PPC, with the participation of USAID's technical offices and regional or technical officers from the Department of State; and with the USAID administrator still making the final decision. Moreover, he kept much of the formal independence of USAID. Certainly, USAID did not become a bureau within the Department of State, as Senator Helms had wanted. But all budgets—not just ESF—were reviewed. And some, primarily ESF, had to be approved by the State Department. Moreover, foreign policy considerations were more forcefully asserted by the State Department and over a broader set of development issues as well.

More important, the quarrel devoured a great deal of Atwood's energy and that of his inner circle. No doubt, he pursued several initiatives important to USAID—organizational, procedural, and policy—but so much time was consumed in what became a something of a standoff with the State Department that perhaps too much of the detail of implementing his initiatives had to be delegated to others, and without close attention by the administrator to his own reforms, they tended to wither. Other initiatives were left behind and never begun. Moreover, the State Department's participation in, and control of, development policy and organization was substantially deeper and wider than it had been under Secretary Baker or Secretary Eagleburger. It went far beyond Central Europe or the former Soviet Union.

## The George W. Bush Administration

The administration of President George W. Bush took the process of integration many steps further. Development was in a sense substantially redefined during the Bush administration, both in policy and in organization. Initially uninterested in development, President Bush had something of a conversion experience after September 2001, nine months into his presidency. As a candidate, he had campaigned against "nation building," especially by the military. Without question, that changed after 9/11, certainly for Afghanistan and Iraq, but for other countries as well. President Bush asked Congress for a very substantial increase in foreign assistance. Congress quickly agreed.

### *Policy*

The integration of foreign assistance and development into foreign policy—their deference, really—was manifest in many ways: through policy, organization, and procedure. First, as a matter of policy, development became one of three legs of national security policy, not just foreign policy. In lightening speed, less than a year after the September 2001 terrorist attacks, the Bush administration produced a groundbreaking National Security Strategy in which, for the first time, defense and diplomacy were intimately and formally linked with development in the most fundamental foreign policy doctrine. The “three Ds” were three elements of U.S. national security—“three legs of the same stool,” as a quickly hackneyed slogan put it. Moreover, per the U.S. Army’s Field Manual 3-07 issued six years later, “stability operations” (which include substantial amounts of development assistance) are “a core military mission on par with combat operations.”[5] So development would be seen through the lens, not primarily of some humanitarian commitment to poverty reduction or disease eradication or economic growth, but as an intimate part of national security. On the one hand, that perspective elevated development and, in that respect, exceeded the grandest dreams of development professionals who had always felt like younger brothers and sisters sitting at a toy table—but almost desperately wanting a seat at the table with their older, more powerful, more central siblings and of course with the adults.

But the elevation came at a cost to what the development community believed were its central purposes and orientations. Development was now part of the national security calculus. Development professionals would now sit at the same table with the U.S. Army and Marines, but they were also asked to play in the same game and that game included warfare, even if of the anti-insurgency sort. Development would now be at the service of national security. Sure, the budget was increased. Certainly, they got to the same meetings. But the altruism they felt (however naively) was now replaced by a more “self-interested” national security perspective. Development professionals would now be asked how this or that program in this or that country would advance the national security of the United States and its allies in—guess what—a war, the “war on terrorism.” So development would be an instrument of warfare to protect national security, and it would be part of the war strategy at that. Not exactly the idealistic Peace Corps, even though the Peace Corps itself had, truth be told, been an instrument of foreign policy during the Cold War to win “the hearts and minds” in what in those days was called “the Third World” between the West and the Communists.

The dilemma was articulated many times in many forums. As only one example and years later during the Obama administration, the vice president of the International Rescue Committee (IRC) was interviewed on National Public Radio just before President Obama announced his November 2009 decisions on increased troop levels and proposed strategy for Afghanistan. As part of the solution to Afghan responsibility and performance, Obama proposed that U.S. assistance be provided more directly through the government of Afghanistan or through Afghan nongovernmental organizations (NGOs) rather than through U.S. NGOs—like IRC—in order to “cut out the foreign intermediaries.” “We are part of the solution,” the IRC vice president protested, “because that is what we are doing. We are part of what is working. We are motivated by humanitarian principles. We want to give help to people who need it. We don’t want to check on where they come from or what party they belong to.”[6] IRC and other “development NGOs”

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[5] U.S. Army, *Field Manual 3-07: Stability Operations* (Washington, D.C.: Department of the Army, October 2008), Section 1-15, http://www.fas.org/irp/doddir/army/fm3-07.pdf.
[6] Anne Richard, vice president for government relations and advocacy, International Rescue Committee, *Morning Edition*, NPR, November 30, 2009.

wanted their independent programs, wanted U.S. government funding for them, wanted to be part of the central theater of Obama's foreign policy, but they wanted to act as "humanitarians" not as protagonists. They both wanted, and did not want, to be part of the anti-insurgency program. They wanted to act as if they were neutrals but with U.S. government funding, with meaningful consultations, and engaged in the policy discussions at the highest levels, even in the councils of war. That ambivalence ran through the entire "development community" including USAID, and it was presaged by President Bush's National Security Strategy and its three-legged stool, explicitly including development.

So from the administration's perspective, the (increased) assistance would be part of its national security and, in the case of Afghanistan, its counterinsurgency strategy. The assistance community would get more resources and get to sit at the table with the adults. But it would be an instrument of national security, including counterterrorism, not just altruistic, humanitarian, development efforts. Or, to put it more accurately, humanitarian and development efforts would be seen though a national security lens. Many development professionals, including USAID staff but especially NGOs, were very uncomfortable with that, even as they welcomed the seat at the table and the enhanced resources.

### *Organization and Process*

Second, as a matter of organization and procedure, USAID became much more integrated into the State Department and, simultaneously, lost huge parts of developmental turf to a wide variety of other organizations and suborganizations. In May 2001, five months before his foreign policy epiphany, George W. Bush appointed Andrew Natsios as USAID administrator. Natsios was deeply committed to development, and unlike Atwood, he had served at USAID before. In the administration of George H.W. Bush, he had been director of USAID's Office of Foreign Disaster Assistance and subsequently assistant administrator of the then–Bureau of Food and Humanitarian Assistance. During the Clinton administration, Natsios was vice president of World Vision, "a Christian relief, development and advocacy organisation dedicated to working with children, families and communities to overcome poverty and injustice" with programs around the world.[7] He was a development professional in the traditional and core meaning of that term. Natsios was also very assertive, even aggressive, in pursuit of his mission and calling. If there was a fight about development, especially its humanitarian dimension, Natsios was sure to be in it. Indeed, he had written two books about humanitarian relief: *U.S. Foreign Policy and the Four Horsemen of the Apocalypse* and *The Great North Korean Famine*.[8]

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[7] World Vision, "Who We Are," http://www.wvi.org/wvi/wviweb.nsf/maindocs/3F50B250D66B76298825736400663F21?opendocument.

[8] Andrew S. Natsios, *U.S. Foreign Policy and the Four Horsemen of the Apocalypse: Humanitarian Relief in Complex Emergencies* (Westport, Conn.: Praeger/CSIS, 1997); and Andrew S. Natsios, *The Great North Korean Famine* (Washington, D.C.: U.S. Institute of Peace, 2001).

Natsios announced during his first, all-agency staff meeting that “there will be no famine on my watch,” as if by sheer will and his mobilization of U.S., indeed global, resources, he himself would hold back the calamities, whether caused by nature or human error. He was a scrapper, to put it mildly. Providentially (as he might have put it), he was also a 20-year-plus veteran of the U.S. Army Reserves, with the rank of lieutenant colonel, and a veteran of the Gulf War. A perfect fit, one would think, as USAID administrator under the new National Security Strategy.

His appointment came with some preconditions, however. Technically, USAID would remain as it was, but organizationally there would be no more “juvenile” discussions about dotted or solid lines. The Atwood battles were over. The administrator of USAID would report to the secretary of state. Period. No ambiguities. Secretary of State Colin Powell was a career military officer, ultimately a four-star general, commander of the U.S. Army, chairman of the Joint Chiefs of Staff, and national security adviser to President George H.W. Bush. He asserted his authority quietly but unquestionably. He was a gentleman, he was quiet, but he was in charge. He was accustomed to working through a chain of command and to unity of command. He welcomed discussion and disagreement over policy but once a decision had been made by the “commander,” there would be unity of execution.

His deputy, Richard Armitage, was also a military officer—a naval officer, who even in his mature years had a legendary chest size and the bearing of his younger military colleagues. Earlier, as an assistant secretary of defense, Armitage had served with Powell at the Pentagon, greatly admired Powell, but had a rougher, more “physical” demeanor. He looked and acted like a Marine more than like a naval officer, as if any disagreement might be resolved physically if not through discussion. Like Powell, he welcomed discussion and debate at the right time and in the right forum, but after that, it was a matter of deference to the decision of the commander, and he looked often like a drill sergeant assuring that the troops were properly trained and disciplined. As one element of his position as deputy, he was Powell’s enforcer. He minced no words. In his early days at the State Department, he came to USAID on behalf of Secretary Powell and addressed an all-staff meeting. We don’t intend to integrate USAID and the State Department, he announced to the surprise and relief of USAID’s cadre. We don’t need to, he went on. You work for us. The air went out of the momentary staff enthusiasm. Not worried about the formal relations, he in effect announced that USAID could have formal independence and that USAID staff would certainly have some voice, but as a practical matter, at the end of the day, it would do as it was told—by the State Department. There was to be no more negotiation of the kind Atwood engaged in with Christopher and Albright. That was the premise under which Natsios accepted the job. Indeed Natsios announced in the same “no famine under my watch” all-staff meeting that he worked for the Secretary Powell and so did USAID. That war was over.

But not to worry, as already noted, Natsios found plenty of other fights to get into, and unfortunately the Bush administration provided plenty of organizational and procedural opportunities to fight over. Perhaps the most consequential were the establishment of two large foreign assistance programs in separate organizations outside of USAID.

In 2003, President Bush created the President's Emergency Plan for AIDS Relief (PEPFAR). For many years, even decades, USAID had been working on health issues as an integral part of its development portfolio. Indeed expenditures on health were almost always far larger than on any other USAID sector. USAID was hardly unaware of the AIDS epidemic in 2003. It managed an AIDS program, primarily in Africa and South Asia. It could have managed a bigger one. Expansion would have been the simplest option for a larger program. Instead, President Bush appointed a separate AIDS coordinator and created a new organization, the Office of the U.S. Global AIDS Coordinator (OGAC), and located them in the Department of State, not in USAID. PEPFAR has seven "implementing agencies": the Departments of State, Defense, Commerce, Labor, Health and Human Services, and the Peace Corps. The seventh implementing agency of PEPFAR is USAID. USAID was part of PEPFAR, not the other way around. As the 2010 PEPFAR Web site itself says:

> USAID implemented its first HIV/AIDS programs in 1986 and currently supports the implementation of Emergency Plan HIV/AIDS programs in nearly 100 countries, through direct in-country presence in 50 countries and through seven regional programs in the remaining countries. As a development agency, USAID has focused for many years on strengthening primary health care systems in order to prevent, and more recently to treat and care for, a number of communicable diseases, including HIV/AIDS. USAID is uniquely positioned to support multisectoral responses to HIV/AIDS that address the widespread impact of HIV/AIDS….[9]

Apparently, USAID was not "uniquely positioned" enough, however, to take responsibility for the much-expanded AIDS program.

Naturally, Natsios wanted the program for USAID and fought hard for it. Against the view that USAID was too staid, too bureaucratic, too ossified to handle the new, large, signature program, Natsios argued that he would ensure USAID's competence and responsiveness and that USAID had the experience and motivation to rise to the AIDS challenge. Ironically, he may have fought too hard and too personally. Reportedly, his sometimes combative style alienated the White House staff and even President Bush himself, who, legend has it, was supposedly put off when Natsios argued too forcefully, too frequently, and without sufficient decorum, at one point even in front of Bush.

In the same year, 2003, the Bush administration discussed a new approach to development assistance. None of the donors felt confidence in the prevailing models of assistance, nor did a lot of recipients. East and Southeast Asia had experienced phenomenal success over the past decade. So too had Central Europe, with the powerful pull and incentives of European integration. Except for Nicaragua and Guyana, the countries of Central and South America had become "middle-

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[9] The United States President's Emergency Plan for AIDS Relief, "U.S. Agency for International Development (USAID)," http://www.pepfar.gov/agencies/c19395.htm.

income" countries,[10] although the populist reactions in Venezuela, Ecuador, Bolivia, and (to a lesser extent) Brazil were worrisome. China and India were clearly on the rise, as to a lesser extent was Mexico. The states of the former Soviet Union were spotty but not encouraging if the receipts from extractive industries were excluded. The same was true of the Middle East and North Africa. But most of sub-Saharan Africa, South Asia, Central America, and the Caribbean were stagnant or regressing, notwithstanding substantial amounts of foreign assistance. Aid conditionality under which the donors provided funds in exchange for commitments by recipient governments to change and implement policies and practices that would provide better prospects for development (policies and practices similar to the countries that had made such progress) was not working. As the donors discovered, promises and commitments came easily; implementation was a different matter. Recipients expressed, or feigned, righteous indignation. The multilateral banks and the International Monetary Fund were attacked for their harsh conditions. The administration thought a new approach was needed.

President Bush charged an interagency group with developing that new approach, through a new program and process. The United States would provide substantial funds to those countries that had *already* made the "*right choices*" and were *already* implementing the "*right policies*" but whose governments were probably paying a political price for having done so. The United States would create a new relationship with the (unfortunately few) countries that fit those criteria. After qualifying on the right choices/right policies criteria, there would be more of a partnership between the United States and the recipient country. Fewer programmatic decisions would be made by the United States in quasi-consultations. The consultations would instead be real and meaningful. In fact, once qualified, the recipient country would drive the process, not the United States. The United States would recognize the short-term political and economic costs—the short-term sacrifices—borne by the "virtuous" recipient before the long-term gains of making the right choices finally vested. But the funds would be available only after their concrete performance, not for promises of performance.

The result was the Millennium Challenge program, which in its planning stages was tentatively called "the compact for development" program. Interagency groups worked on the concept, its detailed shape and content, and also its organizational form. Because it would not be business as usual, the program would need special authorities and a staff ready to work in a new and different way. Several alternatives were proposed. One, obviously, was to house it in a special unit within USAID, which (as in the case of AIDS) had some experience experimenting with different approaches including conditioned assistance, albeit on a much-reduced scale. USAID had tried policy dialogue (payments in exchange for commitments to revised policies), cofinancing (both the donor and the recipient), and so forth. A second alternative was a different U.S. department or agency. Third was an entirely new organization or agency within the U. S. government. Fourth was an entirely new, truly independent or quasi-independent entity,

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[10] World Bank, "Country and Lending Groups," http://data.worldbank.org/about/country-classifications/country-and-lending-groups.

technically outside the U.S. government, which the U.S. government would fund but over which it would have no direct managerial control at all. There were other ideas as well. USAID administrator Natsios naturally preferred the first alternative, and he fought hard for it. At heart, this was a foreign assistance program, albeit with different authorities and form, immediate goals, and procedures, and he argued, it should be housed in the foreign assistance agency, USAID.

But USAID had too much of a reputation for being slow, cumbersome, and unimaginative. There was too little confidence in USAID as an organization. And Natsios had supposedly fought too many fights, perhaps over less momentous issues. Congress also would have to be convinced to appropriate the substantial new funds, which were to be additive to the basic foreign assistance budget, not taken from it, and for the same reason, too many in Congress also had too little confidence in USAID. So, in the end, the fourth alternative was chosen. A new Millennium Challenge Corporation (MCC) would be formed. It would have its own officers, staff, and premises, all outside the U.S. government. It could pay "market rates" to a different kind of staff. And it would have a board of directors composed of the secretaries of state (as chair) and treasury, the U.S. trade representative, the chief executive officer of MCC, four public members appointed by the president with the advice and consent of the Senate, and the administrator of USAID.

Whatever the reasons, the simple fact is that the presumptive development agency had lost the two new, very major assistance programs—a loss that was felt almost like an amputation even though they had not been appendages in the first place. These two rivers of assistance diverted away from USAID were complemented by smaller streams also flowing elsewhere. For example, the Bush administration created the Middle East Partnership Initiative (MEPI) under the leadership of Elizabeth Cheney, the vice president's daughter, who had previously served in the State Department and USAID. MEPI was to create a "new approach" to the Middle East, concentrating in four areas: education; democracy (euphemistically called political participation, the rule of law, and giving people a voice); economic opportunity and reform; and empowering women and youth. All of these were areas in which USAID already had programs. Moreover, the new approach did not turn out to be so new, but even if it had been, USAID might well have been able to mount it. Still, like MCC, the Bush administration preferred yet another new organization. So it created MEPI, housed it in the Bureau of Near Eastern Affairs at the State Department, and made Cheney a deputy assistant secretary of state to head it up.

Just within the area of democracy and governance, the Bush administration channeled substantially more funds (although still a small stream compared to the MCC or PEPFAR rivers) to the State Department's Bureau of Democracy and Human Rights and to the National Endowment for Democracy. And it spearheaded a new multinational UN Democracy Fund with the U.S. funding and policy located in State Department's Bureau of International Organization Affairs rather than in USAID and its multilateral counterpart, the OECD's Development Assistance Committee. And, to repeat, all of this was in addition to the loss of assistance programs to many other departments and agencies that created their own assistance programs after the collapse of the Berlin Wall during the administration of George W. Bush's father. The result was a fractured, splintered assistance landscape and one in which USAID, though still the largest agency for U.S. foreign assistance, was drip by drip or even river by river, becoming at best the main U.S. government agency for assistance in an archipelago of others.

As if the self-felt amputation of various assistance programs were not problem enough, the Bush administration's consternation at "discovering" the fracture it had done so much to create precipitated an even more radical loss of USAID's organizational integrity, indeed of all of the foreign assistance entities under the international affairs budget, including even some military assistance. The fact is, however, that the international affairs budget is not as broad as it sounds. Basically, it affects only those funds appropriated by Congress to the authority of the State Department, which may transfer them to other agencies not under its direct authority. So the "150 Account" affects programs directly administered by the State Department and USAID and programs managed elsewhere (for example the Department of Justice or the Department of Defense) using funds transferred by the State Department. The international affairs budget does not include the international programs of departments or agencies using funds appropriated directly to them primarily for domestic but now also for international purposes. For example, most of the foreign assistance programs of the Departments of Treasury, Defense, Commerce, and Agriculture—even though they are, in the normal usage of the term, programs for international affairs—are not included in the international affairs budget. Indeed, in recent years, the largest expansion in foreign assistance funding and programs has been in the Department of Defense with an eye toward avoiding dealing with instability, conflict, antiterrorism, and counterinsurgency.

The fractured landscape beyond the State Department was a matter Condoleezza Rice could have affected while she was national security adviser and in charge of the entire interagency process for foreign and security matters. In fact, she did affect it—but negatively, by increasing that fracturing through the various programs the administration put outside USAID, such as PEPFAR, MCC, and MEPI. She now complained about precisely the conditions she herself had helped to create. But after she left the National Security Council (NSC) to succeed Colin Powell as secretary of state, the larger, interagency landscape was beyond her control. She was now an interested party, not a presumably neutral referee as she had been at NSC. Still, she could take on the fractures within the international affairs budget, and very soon after she became secretary events provided the spark to do so. During congressional testimony, she was asked a seemingly simple question: how much was the U.S. government spending on democracy and governance? Momentarily taken aback by finding that the answer was not immediately available either in her memory or in the thick briefing books she had with her, she demurred. She would reply to the committee with an answer forthwith, she assured it. Returning to the State Department, she found that the answer was not only unavailable, it was not so easy to get. Worse, it was perhaps unknowable. So many entities, within the State Department and outside, had a piece of the democracy pie. Moreover, what counted as a "democracy" program was not as obvious as it might seem at first glance, let alone in theory. Indeed, as the assistant to the president for national security affairs—a deceivingly modest title for the president's principal adviser on national security—she had, ironically, been an active participant in the construction of all of these programs she now, belatedly, decided were too fractured.

Never mind the origin of the problem or who was to blame for it, Rice decided to fix it, at least the part now under her authority. She spent much of the rest of her tenure trying to do so. The Bush administration was particularly fond of a measure previous administrations had pioneered. Rice would create a "czar" to centralize foreign assistance and then head the resulting consolidation. She created a new office—the director of U.S. foreign assistance—and, although not officially, she would accord him the "status" of a second deputy secretary or, as the department's Web site said, "The Director holds a rank equivalent to Deputy Secretary."[11]

Reaching into PEPFAR, she appointed its head, Randall Tobias, as both director of foreign assistance (DFA) *and* administrator of USAID, thereby trying to square the circle of imposing yet another organizational entity above USAID. Problem enough, after all, that USAID was clearly subordinated to the secretary, but now it would be organizationally subordinated to the new DFA as well, even if the DFA himself was also USAID's administrator. After all, one could flip the coin and argue that all the other entities within the international affairs budget were now going to report to the USAID administrator, Randall Tobias. One could also argue that USAID was now back in control of the entire landscape of foreign assistance, at least the vast majority under the international affairs budget.

One could argue it, but demonstrably it wasn't so. Tobias knew the lay of the bureaucratic landscape, so he quickly secured a good office at the State Department where he was now a quasi-deputy secretary, kept the administrator's office at USAID, but spent almost all of his time acting as DFA at the State Department and only cursorily spending time at USAID. For him, USAID was one of the assistance entities under his jurisdiction—definitely the largest, but still only one of several. As between the two, he was without doubt DFA first and USAID administrator second. So as a matter of organization, USAID now reported directly not to the secretary of state but to the director of foreign affairs and quasi-deputy secretary of state, even though Tobias, the person, was both DFA and USAID administrator. The distinction is important because nothing would prevent a future administration from appointing one person as DFA and a different person as USAID administrator, which is exactly what the Obama administration did. The organizational distinction between the two positions was clear and formalized.

At least as important for USAID substantively, Tobias set about the concentration of authority and the centralized paradigm he imposed. Contrary to Natsios, Tobias would engage in no more turf battles, perhaps because, as a personal if not an organizational matter, he had already won them as DFA. He had been appointed DFA in good measure because of the way he had managed PEPFAR. Formerly head of the pharmaceutical multinational, Eli Lily and Company, Tobias had adopted with fervor the statutory injunction, harkening back to the Gore

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[11] U.S. Department of State, "Director of U.S. Foreign Assistance," http://www.state.gov/f/index.htm. Of course, the Web page has since been changed.

reinvention but by now common to most donors, to concentrate on results and to do so quantitatively. At PEPFAR, he required extraordinarily detailed plans and then commensurate quantitative measures for results. He brought that same accountancy mentality to his now-broadened role as DFA.

When Tobias decamped from USAID to the State Department, he created there a relatively small so-called F staff (as in D*F*A). Most of it came from the USAID's Bureau for Policy and Program Coordination, the rump staff of which was left at USAID with only those functions Tobias didn't care much about. PPC—the formulator and guardian of USAID's (and therefore the U.S. government's) development policies and cochair of USAID's strategy process—was obliterated by Tobias. That left USAID, in effect, with the same body to carry out almost all of the same mandates, just without its brain. It could move; it just couldn't decide, without direction from the DFA, how or in which direction. So of course it kept going in the direction it had been going when it lost its head, so to speak. Precisely what Rice and Tobias wanted.

Under Tobias's overall guidance and with PEPFAR as kind of beacon, or at least an illustration, the "F staff" created the "F process." At its heart was a five-by-five table. On the horizontal axis were five objectives for programming: economic growth; investing in people; governing justly and democratically; peace and security; and humanitarian assistance. Distributed under those objectives were 24 program areas and, below them, 96 program elements and 407 program sub-elements. So the U.S. government (or at least that portion under Tobias's authority) would provide exactly 407 kinds of assistance. On the vertical axis were five kinds of countries: restricting (diplomacy-speak for authoritarian); rebuilding (diplomacy-speak for fragile or failing); developing; transforming; and sustaining partnership. Every country receiving assistance would be identified as one, and only one, of those kinds of countries. That a country like, say Colombia, might be a mixture, partly in conflict and partly well-developed was the kind of complexity that the old USAID strategy system of inter-bureau discussion was precisely designed to elucidate rather than obfuscate, but which Tobias regarded as a troublesome diversion from the unambiguous world in which, like a tax form, everything could without equivocation be put into one, and only one, of 407 boxes. Now countries would be categorized definitively. They were examples of one, not two or three, of the five kinds of country.[12] Either this or that. As the F Web page said at the time (it has since been changed), "Each category is associated with areas of emphasis for U.S. Foreign Assistance whether it be investments in people and economic growth for 'Transforming' countries or improvements in governance and democratic participation for 'Developing' countries. While being 'in' a category helps determine where to target assistance to maximize country progress, it has no direct effect on funding level."[13]

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[12] See Gerald F. Hyman, *Assessing Secretary of State Rice's Reform of U.S. Foreign Assistance*, Carnegie Papers, No. 90 (Washington, D.C.: Carnegie Endowment for International Peace, February 2008), http://www.carnegieendowment.org/files/CP90_hyman_foreign_assistance_final.pdf.
[13] U.S. Department of State, "Director of U.S. Foreign Assistance"; again, the Web page has since been changed.

So there were five kinds of countries and five objectives (or actually 407). The funding level for each box and each country down to the program level would be decided in Washington, not the field, and each dollar of assistance would be assigned to one of the 25 core boxes of the table. The field missions would be left to a ministerial, implementational role. They would create operational plans—75 to 400 pages long in 2008—through which the Washington decisions would be implemented. They would include in those plans every grant and contract they planned to award and, of course, the quantified results indicators by which they would measure the impacts. They would submit all of that to Washington for review.

Gone then was the mission-drafted and Washington-reviewed country strategy. Gone were the policy bureau and the authority of the regional bureaus that still remained. Gone therefore were the discussions cochaired by the regional bureaus and PPC about whether the mission had "gotten it right" either in its macro-analysis or in its nuances. There were neither places in the framework nor a forum to consider such nuances. Gone was the strategy process. Instead country programs were constructed by more or less ad-hoc core country teams under instructions to "think strategically" and nonparochially but composed of those bureaus and offices that cared to attend. Naturally, those were just the bureaus and offices that had, or aspired to have, assistance programs in the country—in short, those with the greatest bureaucratic stake in the outcome, not necessarily those, like PPC, that stood above the resource fight looking out, instead, for larger policy and assistance principles.

Secretary Rice also changed the larger mission of the two "Ds" under her control: diplomacy and development. Harkening back perhaps to her service on the National Security Council during the presidency of George H.W. Bush, where she served as the director of Soviet and East European Affairs, she resurrected the "transformation" language applied to Central Europe and Eurasia under the SEED and FSA programs. Especially after the attacks on New York and Washington, U.S. foreign policy would no longer be limited primarily to relations between states through their formal governments. The United States would need to deal with nonstate actors as well, especially when programming for counterterrorism. As part of the new National Security Strategy of 2002, U.S. foreign policy—and with it development policy—would become "transformational diplomacy." If diplomacy and development would be tied with defense to serve national security, they would be even more intimately entwined under the secretary of state to help construct a "transformed" world of free, market-oriented (hence prosperous), educated, healthy democracies. That was the key to the Tobias matrix for assistance. Assistance would be dedicated to the movement of countries up the vertical axis from "restricting" or "rebuilding" to "developing" to "transforming" to "sustainable partnership" (the fully transformed countries). That was the meaning of thinking strategically, the instruction given to the country working groups: how can assistance together with diplomacy help move this country up the axis? A world of sustainable partnership countries would be a secure world, hence the contribution of transformational diplomacy to national (and global) security. USAID would certainly be a part of that effort, but as one partner among the others and not, for any given program or country, necessarily the lead partner.

During the George W. Bush Administration, then, USAID lost on three major scores. First, it lost authority over two major and several minor streams of assistance funding to other organizational entities, three of which—PEPFAR, MCC, and MEPI—were entirely new. These were not minor losses for USAID. Moreover, being new, they further aggravated the dispersal of foreign assistance programs and authorities from the pattern established by the elder President Bush and by President Clinton. Second, and in some ways more important, the fractured assistance environment was provided a partial fix, but one that cost far more in substance than it gained in organizational coherence. USAID's long-standing strategy process was, at best, reduced to a five-by-five (or 407) matrix and a few, pressured interagency meetings at which interested parties contested for program and budget turf at the expense of a serious deliberation about country challenges and the programs best suited to address them. Moreover, USAID's policy function—the one charged with leading the strategy process and accumulating lessons for the future—had been gutted by an accountancy procedure in which reams of data on expenditures and antiseptic results were substituted for serious analysis. Third, USAID unequivocally lost its independent status. It was now part of the State Department in all but name. Whatever the sleight of hand by which the USAID administrator was an "as-if" deputy secretary of state, the fact is that it would at best be integrated into the State Department, as that title indicated, and no one was fooled by the wizard into believing that behind the screen he was really the USAID administrator rather than the overall director of foreign assistance, the bulk of which was still (as they said) *managed* by USAID.

## The Barack Obama Administration

It is too early, of course, to assess the administration of President Obama, but already the drip-by-drip erosion of USAID seems to be continuing. First, Secretary of State Hillary Clinton has shown no signs of reversing the "F Process." However, the hyper-centralization has been tempered somewhat. Through the ambassador, the country team, rather than Washington-based officials, now submits the proposed country program for at least part of the assistance resources. However, the central funds, like PEPFAR or the Global Health Initiative, even the bureaus at the State Department, submit their own budgets with their own country priorities, which are allocated by F without consultation with the country teams. So to the limited extent that there is an integrated country plan, it is a Washington construct. Embassies are informed about the amount to be spent in their countries and the ways it will be spent, even if it is the country team (especially the USAID mission) that will manage it. The argument that allocations based on global priorities should be made in Washington may be reasonable for pandemics like HIV/AIDS, which have regional and global not just country patterns, but most development is driven by much more local dynamics, and it is the consideration of those dynamics that lay at the core of the old USAID strategy process.

Second, Secretary Clinton almost immediately appointed Jacob Lew, an official from the Clinton administration's Office of Management and Budget, as deputy secretary of state for management and resources and acting DFA. In fact, true to his calling, Lew has now been nominated by President Obama as director of OMB. OMB is the ultimate arbiter of an administration's budget. Lew is a budgeter, and as deputy secretary had a portfolio similar to, but even broader than, Tobias, whose authority over resources was limited to foreign assistance, not the entire the State Department budget. But unlike Secretary Rice, Secretary Clinton did not "dual-hat" Lew as both DFA and USAID administrator.

Third, the Obama administration continues the "whole-of-government" and "initiative" traditions of the Bush administration, creating additional foreign assistance programs and assigning them to interagency working groups for management. For example, in May 2009, it announced the President's Global Health Initiative (GHI), a $63-billion, six-year effort in over 80 countries to combat a broad set of health issues including HIV, tuberculosis and malaria, maternal and child health, family planning and reproductive health, underlying health systems, and nutrition.[14] Spanning seven departments (but with over 70 percent going to PEPFAR), GHI is under the direction of a "strategy council" consisting, at least initially, of the Centers for Disease Control, the Department of Health and Human Services, the Office of the U.S. Global AIDS Coordinator at the State Department, and USAID.[15] Similarly, in September 2009, the administration announced a Global Hunger and Food Security Initiative (now called Feed the Future), a joint effort between the State Department (under an acting coordinator reporting directly to Secretary Clinton) and USAID.[16] In theory, the whole-of-government approach taps into the strengths of a variety of agencies and departments, so the appeal is obvious. The health area may be one the best candidates because true expertise resides in a variety of agencies. Environment may be another, and economic growth might have been a third but for the Treasury Department's predominance in and control over many of those decisions. In practice, the whole-of-government programs can build on that advantage, but they can also become unwieldy bureaucratic edifices of (for example) seven different departments, slowing everything down with more steps for decision, approval, and coordination, and creating another pot of funds for each of the constituent agencies to fight over and then divide up.

Fourth, a year after his election, President Obama named a new USAID administrator, Rajiv Shah, a health professional with several years experience with the Gates Foundation but little in development more broadly. Rumor (often malicious and without foundation but sometimes accurate) had it that the year had seen differences between the National Security Council and Secretary of State Clinton about who the USAID administrator should be, what experience he or she should possess, and more important, what authorities he or she should have. Indeed, before the 2008 election, the now–special assistant to the president for national security and senior director for development at the National Security Council cochaired an ad-hoc group, the

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[14] See The White House, "Statement by the President on Global Health Initiative," May 5, 2009, http://www.whitehouse.gov/the_press_office/Statement-by-the-President-on-Global-Health-Initiative.
[15] See Kaiser Family Foundation, "The U.S. Global Health Initiative: Key Issues," April 2010, http://www.kff.org/globalhealth/upload/8063.pdf.
[16] U.S. Department of State, "Global Hunger and Food Security Initiative: Consultation Document," September 28, 2009, http://www.state.gov/s/globalfoodsecurity/129952.htm.

Modernizing Foreign Assistance Network, which issued a clarion call for an independent, cabinet-level development agency: *New Day, New Way: U.S. Foreign Assistance for the 21st Century*.[17]

A different rumor had it that Clinton's nomination of Shah came with his agreement that he would make no waves about his authority and that, in particular, he would not contest the DFA position, but would report up through the chain of command to the deputy secretary for management and resources and through him to Secretary Clinton and (possibly) through them to the president. If so, the USAID administrator would not even be reporting directly to Secretary Clinton. Instead, he would be reporting yet one step further down the ladder to one of two deputy secretaries. Lew reportedly insisted that he had few preconditions about the identity of the USAID administrator but that he would oppose any attempt to reestablish a policy or budget bureau at USAID. He had been brought into an organizational structure in which development policy and budget should be set by the deputy secretary of state, not by the administrator of USAID. Meanwhile, Shah has announced that he will reconstitute PPC—now to be called the Bureau for Policy, Programs, and Learning (PPL). He has also announced "a revived commitment of multi-year Country Development Cooperation Strategies [CDCS]" to "identify development challenges" country by country and "identify specific program and resource priorities." PPL intends to issue "revised draft CDCS guidance in the coming days." Peru, Uganda, and Liberia will be CDCS pilots. So perhaps the old USAID strategic process is not entirely dead. Perhaps, miraculously, it has been admitted to intensive care with prayerful prospects for some measure of recovery.[18]

Although the final decision about a DFA remains unclear, there have been some changes to the State Department's Web site suggesting what that decision will be; however, it no longer includes the USAID administrator as a senior official of the State Department. Moreover, on the department's organizational chart, posted in May 2009, the USAID administrator is listed on the side reporting directly to the secretary but not to any deputy secretary, which would certainly make the USAID administrator a senior official reporting *to* the secretary of state, but perhaps not a senior official of the department. Rather like a withering billboard on a once well-traveled rural road, all that now seems to be left of the position of DFA on the department's Web site is the original formal description.[19]

Clearly, however, the new USAID administrator will not be heading a cabinet-level agency. He will not even be heading an independent agency, except perhaps in name, and even then cynically so. Indeed, notwithstanding the rhetoric about the importance of development, in its first real Congressional Budget Justification, the State Department listed four "Independent

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[17] Modernizing Foreign Assistance Network, *New Day, New Way: U.S. Foreign Assistance for the 21st Century* (Washington, D.C.: Center for Global Development, June 2008), http://www.cgdev.org/content/publications/detail/16210/.
[18] Executive Message, USAID/General Notice/PPL/AA, 8/10/2010.
[19] U.S. Department of State, "Director of U.S. Foreign Assistance."

Agencies": the Peace Corps; the Millennium Challenge Corporation; the Inter-American Foundation; and the African Development Foundation.[20] Not USAID.

That said, there is clearly a lively and, as yet, unresolved debate between the NSC and the State Department about USAID's status. The NSC "directorate" of international development has produced a (leaked) draft Presidential Study Directive (PSD) on global development policy announcing a "new approach to global development" based on "three pillars: a deliberate development policy that places a premium on economic growth and democratic governance, game-changing innovations, and sustainable systems for meeting basic human needs; a new business model to be a more effective partner and leverage our leadership; and a modern architecture." Under the modern architecture, "the USAID Administrator will continue to report to the Secretary of State" but with "a commitment to rebuilding of USAID as *our lead development agency*" and the "USAID Administrator will be included in NSC meetings *when appropriate*" (emphasis added). The PSD also calls for a commitment to "ensuring coherence in U.S. development policy across the U.S. government" in part through a new "standing, interagency Development Policy Committee to coordinate development policy across the Executive Branch and in the design of country and/or regional development strategies," which could (if read very optimistically) hearken back to the old USAID process for mission-led, Washington-reviewed strategy development and reinforce Shah's initiative on CDCS. Gone certainly and in the most emphatic way, however, is the idea of USAID as a completely independent agency, let alone at the cabinet level.

Meanwhile the State Department is inaugurating a Quadrennial Diplomacy and Development Review (QDDR), patterned on the Quadrennial Defense Review (QDR). Judging by the limited material publically available to date, it is a pale imitation dealing primarily with internal State Department and USAID issues rather than the challenges facing the United States and the diplomatic and development contributions to solving them. Although drafts of the QDDR were to have been made public months ago and opened to debate, the review will apparently remain an internal document until its final version is released. Under its terms, however, and even under those of the PSD, USAID will remain firmly in the State Department's orbit, and the USAID administrator will report directly and completely to the secretary of state.

Whether there is a DFA or not, what his authority would be, whether it would be Lew's successor or Shah, whether (regardless of title) Shah ultimately will report to Lew's successor for budgetary purposes and the organizational chart on the State Department Web site is changed again to reflect any of those changes, in fact, the Obama administration under Secretary Clinton, seems to have added yet another drip or two of erosion. And, as already noted, an ironic drip, given the backstage role Clinton played nine years earlier as first lady to save the independence of USAID from Secretary Albright's much less radical attempt primarily to secure "solid line"

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[20] U.S. Department of State, "Congressional Budget Justification: Volume 2: Foreign Operations (Fiscal Year 2011)," February 1, 2010, p. 1, http://www.usaid.gov/policy/budget/cbj2011/2011_CBJ_Vol_2.pdf.

reporting of the USAID administrator to the secretary of state and submission of USAID's budget request through the secretary rather than independently. Where you sit is where you stand, as the old proverb has it. And the final irony, a different page on the current Web site of the Department of State still holds firm to the old catechism:

> Also, although the U.S. Agency for International Development (USAID) *remains an independent agency* following the reorganization of the foreign affairs agencies in 1999 in which the Arms Control and Disarmament Agency and the United States Information Agency (USIA) were merged into the Department of State, USAID receives general direction and overall foreign policy guidance from the Secretary [emphasis added].[21]

## The Structural, Procedural, and Policy Effects of USAID's Erosion

The structure and processes of U.S. foreign assistance have changed fairly markedly over the past three, now four, U.S. administrations. The good news for recipient countries and assistance practitioners is the substantial increase in resources, in the prominence of foreign assistance, and in the political support for foreign assistance as an element of U.S. policy. Forgotten perhaps are the constant political assaults, especially in Congress, on foreign assistance. The bad news for some sort of coherence of assistance and for its still-largest organization, USAID, is the proliferation of programs and governmental entities that now deliver foreign assistance, as well as the depletion of USAID, substantively as well as procedurally. For some, especially at USAID, it is tempting to wax nostalgic for "the good old days." The organization of foreign assistance was simpler. A modest research agenda was supported both within USAID itself and through its grants, especially to the many universities whose research it funded, and an entire bureau (structurally equivalent to the other bureaus) was devoted to research and evaluation and mounted work to elicit evidence-based lessons. Perhaps more important, USAID had combined them all in an impressive strategy process and delivery system through which the country context was balanced with just such general global research and lessons, as well as with U.S. foreign interests abroad, and in which an equilibrium of authority among several bureaus attempted to assure balance and insight rather than impose the particular proclivities of one or another person or bureau. In short, there was a time when, through USAID, the United States was the preeminent donor, and not merely in terms of resources but also in terms of intellectual leadership. No more.

Structures and procedures have consequences. Quite apart from its internal structure and procedures, over which every administrator has some control, the slow attrition of USAID, has had effects on its international role, on how, and how well, it has operated, on its interagency standing, on the composition, training and morale of its staff, on its delivery of assistance, and most important, on the quality of U.S. foreign assistance overall. Both the George W. Bush and now the Barack Obama administrations have elevated and trumpeted development assistance as a

[21] U.S. Department of State, "Department Organization," http://www.state.gov/r/pa/ei/rls/dos/436.htm.

core element of U.S. foreign policy and national security. Loudly and forcefully, they have asserted that development is not a matter of charity or obligation or standing among industrial countries. Rather, they have said, it occupies a central position in U.S. *national security* policy, a position on a par with defense and diplomacy, and a position quite at odds with the traditional view of many in Congress that foreign assistance is a dispensable drag on the national budget. Leaving aside whether that startling assertion is credible and leaving aside its implications for the policy and delivery of U.S. foreign assistance, and disregarding how that affects the conception of recipient countries and other donors and the ability of the U.S. to cooperate with them on development programs and policies, it simply does not square at all with the way the successive administrations (and their less ambitious predecessors) have dealt with foreign assistance as a practical (rather than rhetorical) matter. None of the past four or five presidents would have been so cavalier about the Departments of Defense or State. None would so easily have created a defense force or a diplomatic effort and located it outside those two central agencies. Imagine a new Delta Force or air wing located in an independent corporation with the secretary of defense as one of seven board members, albeit as chair. Or a new special envoy housed, say, in the Department of Agriculture or even at the State Department but outside the operational authority of the secretary of state. Or a splintering of either of those two departments with pieces all over Washington with odd defense or foreign policy initiatives springing up here and there at the entrepreneurial initiative of individual assistant secretaries, White House staffers, or other departments and agencies. It would have been absurd. It would not have been discussed, would not have received serious consideration, and would certainly not have been enacted.

Yet that has been the recent history of U.S. foreign assistance. Several imaginative and well-connected assistant secretaries or even deputy assistant secretaries of state or NSC staffers, and certainly other departments and agencies, have (sometimes unilaterally) inaugurated their own foreign assistance programs, as if there were no existing, official foreign assistance organization.

None of this is to ignore the many dysfunctions of USAID or the value of these initiatives or even whether a particular organizational decision was wise. Nor is it to argue that USAID or some successor organization should be an independent, cabinet-level agency rather than, as it now is in all but name, a part of the State Department. It is not even to argue that USAID should continue to exist at all. It is to argue that if development assistance is a serious endeavor of the U.S. government, never mind one of a tripartite of actual ingredients in the national security of the United States, it cannot be sprinkled hither and yon at the whim of every official with a new and interesting idea. It is to argue that organizational and functional decisions have consequences, intended or not. Organizational indifference is a marker of policy indifference. It also corrodes the coherence of the effort.

A few structural, procedural, and attitudinal implications are already clear. Even in its "golden period" when USAID was independent, the agency's missions were part of the country team under the leadership of the U.S. ambassador. Unlike many European assistance agencies, they were never autonomous of the foreign policy effort. And much of USAID's budget was always under the policy direction of the State Department. But USAID did have substantial operational, budgetary, and programmatic independence. Indeed, the USAID mission director was the voice of assistance in the recipient country. Now, with budgets and programs in many parts of the State Department itself—or outside the department structure entirely—host countries must look to a variety of assistance flows under a variety of different organizational authorities and imperatives. Meanwhile, USAID's staff has become much more integrated under the ambassador's authority, its mission director often reports as a practical matter to the deputy chief of mission or even to the senior political or economic officer, not even the ambassador, and in country meetings, the USAID staff is far more deferential. USAID has been demoted, in operational if not theoretical terms. An agency devalued in its capital will almost certainly be an uncertain, tentative, reactive agency abroad: with the host country, with other donors, and within the country team. It is more likely now to take orders, where before it played a leadership role and was a more equal player, at least within its own arena.

Second, the structural and procedural changes have domestic consequences. For example, the National Security Council organizes most interagency meetings and endeavors, and certainly the most significant ones. Invitations to participate depend on the subject of the meeting but also on hierarchy. At the highest level are meetings of "principals" like the secretaries of defense or state or treasury. Not so long ago, the USAID administrator was a principal for purposes of meetings on foreign assistance or those with substantial foreign assistance implications. He sat at the same table as the secretary of state and with an at least formally independent voice. By definition, the USAID administrator is no longer a principal. At best, the new administrator will be one and quite possibly two levels beneath the secretary on the State Department's organizational chart. The principal development voice now belongs unequivocally to the secretary of state, and the USAID administrator attends, if at all, standing in for her or her deputy and at their sufferance. Development *may* be one of three elements of national security, but if so the secretary of state has, so to speak, two out of the three voices, and the USAID administrator has none, except perhaps by ventriloquism. Similarly, at lower-level meetings, the voice and authority of the attendees derives from that of their principals. The voice and authority of the USAID official is derivative of the USAID administrator's. Happily, substance and personal presence still do matter, so a diminished voice can still be heard if the contribution is valuable. But it is harder, and the tendency is to hunker down to your agency's status, to venture opinions more cautiously, uncertainly, tentatively, even meekly—to watch your step, to mind your manners. You may have been invited temporarily and contingently to move from the children's table to the adults' table, but you don't quite belong there and you are more likely to act it.

Consequently, the tendency to view USAID in a clerical way is stronger. USAID still has most of the funds, but the tendency is to decide elsewhere and at a much finer level of detail what should be done with them, and to view USAID as the mechanical, accounting functionary for implementing foreign assistance decisions rather than as the authoritative voice about the substance and process of assistance. It matters less what USAID's view of "best practices" might be, even if USAID, now without either a policy or a research/evaluation bureau, might have an opinion that is worth serious consideration if not predominance. Indeed, without those bureaus, it would not be unreasonable for other agencies at the table to wonder on what evidentiary or policy basis USAID would even venture such an opinion. Of course, personality makes a difference. A confident USAID mission director with something substantial to contribute will be heard and even taken seriously. But a serious voice cannot be assumed. He or she must overcome stature, structure, and process.

Third, any foreign assistance agency is vulnerable. Like many other government agencies, it handles a large volume of funds. But unlike many of the others—defense is the most obvious—it has no large or politically important domestic constituency and no national interest clear to the broad electorate and therefore to Congress. It is exposed. The infrequent misappropriation of funds, fraud, or embezzlement, whether by its own officials or its beneficiaries, leaves it open to accusations, even if unfounded, of widespread abuse or carelessness. Consequently, USAID has a naturally low tolerance for risks, errors, or programmatic failures, and especially for corruption because, without a strong constituency, it is constantly fearful of the political response to a public scandal like the diversion of its funds into personal bank accounts. A development agency obligating $20 billion each year is bound to have some failures, make some errors, and probably experience some seepage of funds. The response is to do little outside well-worn paths, to reduce innovation, to multiply the levels of checks and balances, to become exactly what its critics rightly observe about it (slow and cumbersome), to take no risks, and above all to avoid mistakes.

The formulation and execution of country strategies was used here as an illustration of the consequences of structural drift and erosion within USAID. Strategies define the organization's approach to problems, their priority, their sequencing, etc., so the erosion of strategic thinking and planning is likely to reflect substantially on programming. But other examples might have been used instead: the deterioration to the point of extinction of training (especially for mid-level personnel); the recruitment and retention of even the minimal number of direct hires necessary to formulate and execute foreign assistance; the decimation of what had been a robust evaluation agenda and of research in general; in effect, the evisceration of what had been a robust agency. USAID administrators were well aware of all of these consequences. But until recently, when these trends were reversed, they were unable to counter the underlying causes. There are other consequences for USAID. These are merely illustrative.

Similarly, USAID is merely illustrative of general principles of organizational dynamics. The constant urge of each new administration—the new secretary, administrator, or director—to reorganize, to leave a mark, to perfect the organizational structure more often than not results in shifting without commensurate perfecting, because there is no perfect organizational structure. Every structure has strengths and weaknesses. Moving the lines on an organizational chart solves certain problems and creates others. Worse still, the problems that are most often addressed are the ones most public, but not necessarily the most problematic. To return to USAID for illustration, the system for making grants and negotiating contracts has been a disaster for, now, decades. It is sclerotic to the point of paralysis. Its officers have at once too much independence and discretion yet are too bound by outmoded, overly constraining rules, regulations, and policies that hamper the primary purposes of the organization. They feel underappreciated and disrespected, which they too often are. The rest of the organization and its grantees, contractors, and host countries wait months for simple actions made more complicated by USAID's political imperative to make no mistakes and to have no fraudulent actions, all laudatory if they did not result in such incapacity. Yet, with one disastrous exception, no administrator—again, until very recently—had taken on that systematic and crippling problem. Why? Because administrators are unlikely to want to spend personal capital on such an internal, hidden, nonsubstantive reform, however necessary. The human resources operations at USAID—the hiring, assigning, promoting, and on occasion disciplining of the tenured workforce—has been a debacle, notwithstanding the valiant work of a few human resources (HR) heroes. It would be an extraordinary surprise to find that these functions are any better elsewhere throughout the U.S. government. But which USAID administrator wants to leave office saying not that "I created a new program to alleviate health, advance education, or reduce poverty" but rather "I fixed HR." The latter would gain the long-lasting gratitude of USAID's officers. It would make USAID a more competent organization. Moreover, a reformed personnel system and/or obligations system could do a lot for health, education, and poverty by making USAID more effective. But "I fixed HR" doesn't ring as a slogan for a résumé or a tombstone in the same way as "My program ended measles" or "educated girls" or "raised incomes."

No doubt, administrators wrestle with patches for the underlying maladies, because they recognize the necessity of addressing at least the most obvious problems. There is a limit, however, to how far the current resources and strengths of any organization can be compromised before they experience serious, even vital, consequences. And patches are not the same as fundamental, systemic reforms and transformations. Instead, the temptation at USAID is to avoid these infrastructural problems and instead to combine or divide regional bureaus, as if it made a transformational difference whether the program for Bangladesh was in a Bureau for South Asia or a Bureau for East and South Asia. Or how the technical offices were configured. Of course there are differences, and maybe some improvements. But they are not transformational, often not even very consequential. Other departments and agencies aside from USAID have their functional equivalents.

Yet all moves have multiple consequences, some weaknesses and some strengths. The indirect and unforeseen consequences are sometimes more profound, and sometimes more negative, than the public ones. But the systemic consequences are too infrequently considered when the proposed reforms are on the table, and those consequences are additional to the tremendous energy and dislocations visited on the organization by even the most minor reorganization. Moreover, they are almost never visited on the highest levels of the organization, but rather at the working level. Again, these principles are similar in any organization, public or private, large or small.

It may be one of USAID's great good fortunes that the new administrator has very recently addressed precisely these "infrastructural" issues that others would abjure and avoid expending capital in doing so. On May 5, 2010, Rajiv Shah addressed the U.S. Global Leadership Coalition. He laid out four major objectives: commit to the Millennium Development Goals; invest in country-owned models of inclusive growth and development; leverage science and technology;

and bring to bear USAID expertise on conflict. These objectives are still quite general and need greater specificity if they are to be meaningful. At the end, he called on USAID's staff to be "development entrepreneurs" and spelled out what that might mean. He also announced that "this month we are rolling out a new policy bureau and budget reforms; in June we will roll out our first phase of meaningful procurement reforms; this summer we will reform our talent and human resource management systems; and this fall we will roll out a significant package of monitoring evaluation, and transparency improvements."[22] Whatever the details, which of course are critical, surely this is an excellent omen for USAID's future.

In the end, implications of structure and process illustrated by the recent experience of USAID extend to the government as a whole, indeed to all organizations. As noted, USAID—with its changes and depletions—provides just one illustrative object lesson, but it is hardly unique. The bottom line is that organizations are systems, not collections of independent, let alone isolated, arrangements. So actions reverberate and rebound; they have systemic effects, even seemingly minor actions and certainly major ones. Back to the classic social theorists and the founding anthropologists: structures, processes, and functions are systemically connected, not unlike organisms. They influence one another. Structures cannot be changed without functional consequences and vice versa. The relations between structure and process are more than quaint areas of interest among organizational geeks. Regrettably, that rather conservative, Burkean view of human behavior is no longer fashionable, but fashions too have consequences. Those who do not believe in the systemic consequences of their decisions—or who choose to ignore them for immediate expediency—will live with the systemic consequences. Or worse, they will force others to do so.

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[22] Rajiv Shah, "USAID's Approach to High Impact Development" (remarks to the U.S. Global Leadership Coalition, Washington, D.C., May 5, 1010), http://www.usaid.gov/press/speeches/2010/sp100505_1.html.

## About the Author

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