



PROJECT on Middle East Democracy

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“Foreign Policy and Development Structure, Process, Policy: The Drip-by-Drip Erosion of USAID”

**Center for Strategic and International Studies
1800 K Street, N.W., Washington, D.C.**

Thursday, November 18, 2010 1:30 pm - 3:00 pm

On Thursday, the Center for Strategic and International Studies (CSIS) hosted a discussion titled “Foreign Policy and Development Structure, Process, Policy: The Drip-by-Drip Erosion of USAID.” **Jerry Hyman**, President of the Hills Program on Governance at CSIS, presented his recent paper on the challenges facing the U.S. Agency for International Development (USAID) and **Jim Kolbe**, Senior Transatlantic Fellow at the German Marshall Fund and the former Chair of the House Committee on Appropriations’ Subcommittee on State, Foreign Operations, and Related Programs, and **Larry Garber**, USAID Deputy Assistant Administrator for Africa, delivered responses. **Dan Runde**, Director of the Project on Prosperity and Development at CSIS moderated the discussion.

Hyman began by describing the central irony that has plagued USAID in recent years: even as development has grown in importance, USAID’s capacity and procedures have deteriorated. Initially, Hyman said, USAID was a small and relatively independent organization. Over time, the organization grew in its ambition to take a “central position” in U.S. development policy. Today, USAID has received this wish, but with it came bureaucratic and political pressure that impeded the organization’s ability to effectively and independently administer foreign assistance.

According to Hyman, this process has been gradual. **Following the fall of the Berlin Wall and the end of the Cold War, USAID lost much of its independence.** First, the rush to provide assistance to the former Soviet Union created a great deal of redundancy. Every agency in Washington outside of the Bureau of Indian Affairs wanted to get involved, Hyman quipped. Second, the appointment of **Lawrence Eagleburger**, who was at the time the Deputy Secretary of State, as coordinator for assistance to Central Europe impinged on USAID’s ability to operate independently.

Under the Clinton Administration, USAID continued to struggle to maintain its independence. New Administrator **J. Brian Atwood**’s attempt to take a more assertive position was complicated by Senator Jesse Helm, the new Republican chairman of Senate Foreign Relations Committee, who worked to reduce the foreign assistance budget.

During the **George W. Bush** Administration, two other complications emerged for USAID. **First, following September 11th, development assistance became a central tenant of U.S. national security policy, which meant that every decision made by USAID had to be filtered through this new orientation.** Second, during the second Bush Administration two large development assistance programs, the Millennium Challenge Corporation (MCC) and the President’s Emergency Plan for AIDS Relief (PEPFAR), were designed and implemented outside of USAID. According to Hyman, this took a large part of the U.S. development portfolio and “put it in another box.” Similarly, a variety

of new democracy promotion initiatives including the Middle East Partnership Initiative (MEPI) were built outside of USAID's control.

The broad issue, Hyman said, was that every time there was a new idea, a new organization was created instead of finding a way to incorporate it into the existing structures. This clutter is an issue that plagues government as a whole; currently, there are 16 special envoys at the State Department, which creates redundancy issues and confusion abroad, Hyman said.

Hyman closed by giving four recommendations: (1) clean up clutter; (2) avoid the impulse to create new organizations to implement new ideas; (3) provide better management training for development leaders; (4) USAID must build its own analytic capacity and should focus on doing more of the things it already does well to build the trust of law makers and the Administration.

Kolbe said that while it is clear to all involved that the administrative structure of U.S. development assistance is “a mess,” there is little agreement on how handle this problem. The wars in Iraq and Afghanistan complicated the issue in three ways. First, funding for development programming ballooned to \$32 billion overnight, which stressed the existing aid dispersion structure and created new internal tension. Second, the Department of Defense became more involved in distribution of aid. And third, new programs like MCC, which Kolbe said he considers a success, entered the competition for development dollars and political favor.

With the recent leak of the State Department's Quadrennial Diplomacy and Development Review (QDDR) and the release of the Presidential Study Directive on Global Development Policy, it is clear that the Administration is interested in addressing the problems with America's development assistance efforts. **The question, Kolbe said, is how the Administration will go about doing this.** Also it is unclear how much political capital Obama is willing to dedicate to this effort considering that the Republican-led House of Representatives appears to be intent on cutting the foreign aid budget.

Garber opened by saying that he agreed with Hyman's diagnosis of issues at USAID, but that his prescription does not take into account the reform efforts already underway. **Recently, the organization has moved to address many of the issues Hyman raises in his paper.** USAID has reestablished its policy bureau, opened a new budget office, and is working hard to recruit and better train the next generation of development professionals. Moreover, USAID has significantly changed its procurement system to ensure that assistance takes into account local resources.

Overall, these reforms are meant to revitalize USAID and help it to become a truly dynamic organization that is able to effect transformative change. Skeptics argue that it will be hard to reverse current trends, Garber said, but the Administrator and the staff of USAID disagree. He closed by saying the change is possible but that reform will take time.

Runde opened the question and answer session by asking the panel what they believe is the ideal reform scenario. Kolbe said that while the creation of a new cabinet level agency for development would be ideal, it will not happen with the current Congress. Instead we should focus on streamlining the existing process. Garber commented that no one today is advocating for the creation of a new agency. Whatever changes are made, they must take place within the existing structure.

A questioner from the audience asked what Garber believes the biggest problems at USAID are. Garber responded that there are three main issues. First, with the addition of programming in post-

conflict Iraq and Afghanistan, USAID has had a hard time prioritizing. Second, USAID has struggled to ensure effective oversight, especially in areas where combat is ongoing. Third, the organization has lost a significant amount of expertise through reorganizations and staff attrition. In response to a question on outsourcing of USAID's work, Garber said USAID has always outsourced, but that clearly there is a greater need to develop internal expertise, especially in the democracy and governance sector.