TWO

The Changing Landscape of U.S. Foreign Aid

At the end of the twentieth century, U.S. foreign aid, and the U.S. Agency for International Development (USAID), looked like they might be heading toward extinction. The cold war was over. It had long been an important rationale for U.S. aid giving—one that helped sustain an uneasy right-left coalition supporting annual aid appropriations. The political right in the United States, which tended to be hostile to foreign aid, acquiesced to aid giving when it was tied to national security issues; the left was increasingly less impressed with national security rationales for aid but supported it as a means of promoting development and helping to reduce poverty abroad. For many years, this tenuous coalition was the lynchpin of U.S. foreign aid in Congress and elsewhere. Peace making in the Middle East, beginning in the mid-1970s and involving large-scale aid to Israel and Egypt, had also been a basis for broad support for foreign assistance across the political spectrum. With an agreement in the mid-1990s to gradually eliminate economic assistance to Israel and reduce assistance to Egypt by half, this domestic political basis for U.S. aid giving also threatened to erode.

During the 1990s, small wars and civil conflicts proliferated in Africa, the Balkans, and Russia's "near abroad," but few of these presented significant challenges to U.S. security.[1] They did, however, create serious humanitarian crises and development failures. Global problems such as the transmission of infectious diseases, climate change, and environmental degradation were of growing prominence but not generally seen as immediate threats to Americans' well-being and so did not constitute new, compelling security rationales for U.S. aid.[2]

With regard to the development purpose of aid, there was increasing disillusionment with the effectiveness of economic assistance in furthering growth and poverty reduction—above all in sub-Saharan Africa, where the development challenges were most difficult and the apparent impact of large amounts of aid over several decades had been disappointing.

These changes in the 1990s in the world of U.S. aid giving made it easier for the Clinton administration to cut U.S. aid programs, contained within discretionary government spending, as part of an effort to balance the federal budget.[3] However, after declining steadily from the early years of the decade, foreign aid began to rise slowly by the end of the 1990s, spurred by responses to humanitarian disasters abroad, such as Hurricane Mitch in Central America. Increases were also urged by nongovernmental organizations (NGOs) and elements of the foreign policy community at home, claiming that the United States was in danger of losing an important foreign policy tool and turning its back on the needy abroad.

During this period, the principal U.S. bilateral aid agency—USAID—looked into an uncertain future. The agency had become unpopular in Washington, though it was quite well regarded by U.S. embassy staff and aid agencies of other governments in the field.[4] Almost since its creation in 1961, it had been the target of criticisms from members of Congress and others opposed to aid giving abroad or skeptical that such aid could promote growth in poor countries. Criticizing foreign aid was also used as a means for attacking the administration when such aid supported an unpopular program abroad (for example, aid in support of the contras in Central America during the mid-1980s). Additionally, criticisms came from nongovernmental organizations working in relief and development, which found USAID difficult to deal with, and from agencies within the executive branch that complained often that USAID was slow and unresponsive.

There was some justification for these critiques, though many of the problems confronting USAID were beyond its control. The agency had myriads of complex and time-consuming regulations that it followed in planning and programming its monies. These regulations were not, however, entirely self-generated. Some came from Congress itself in the form of earmarks or directives on how USAID could or could not spend its funding. Some came from efforts on the part of the administration to ensure that funds were competed for fairly and spent cleanly (which a series of inspectors general monitored assiduously). Others reflected USAID's own efforts to avoid being publicly pilloried for making embarrassing mistakes in its expenditures abroad. USAID also used its complicated and opaque regulations to keep other executive branch agencies from raiding its budget (which they frequently tried to do), giving it the reputation of being "difficult to deal with."[5] Rightly or wrongly, these critiques contributed to the fragmentation of U.S. foreign aid; under successive administrations, authorities for new spending programs abroad for activities similar to those funded by USAID were located in other agencies. For example, coordinators for aid to Eastern Europe and the former Soviet Union were situated in the Department of State; a growing democracy funding program was located there; and small assistance programs were established in nearly all federal departments.[6] This fragmentation eventually began to raise concerns about the coherence, overlap, and duplication in U.S. aid efforts abroad.

In short, at the beginning of the administration of George W. Bush, there was a widely shared view that it was long past time for a major reform of the U.S. system of aid giving and in the organization of U.S. foreign affairs agencies generally.

Reforming U.S. Aid: Past Experience

No matter how much need there has been for reform in the system of aid giving, major changes in the volume and organization of U.S. aid have never been easy. Such changes typically involve gaining a measure of consensus within administrations for change, usually in the face of resistance from those bureaucracies whose interests may be gored. Then there is the challenge of obtaining enough support from Congress, especially where new legislation is required—not easy when members of Congress are tempted to add extraneous or unwelcome amendments to legislation involving a program as controversial as foreign aid and one that lacks a constituency coherent enough and strong enough to fend off such amendments. Finally, proposed changes must garner the support of the many outside interests associated with foreign aid programs, which typically all have connections with members of Congress and elements of the bureaucracy, and so can be ignored by an administration only at a potentially high political cost. In short, presidents and administration officials usually have to spend considerable political capital to bring about major changes in aid programs or, for that matter, in any major federal program.

The last significant organizational reform involving foreign aid took place in 1961, when the Kennedy administration combined several separate aid programs into the new USAID. These changes were the result of planning by the administration to make U.S. aid policies more coherent and the organization of aid more rational and reflective of those policies. It was decided then that U.S. bilateral aid should be semi-independent of the Department of State, intended, as it was, to serve both U.S. foreign policy and development interests abroad. Kennedy got his legislation through Congress but did not get all he wanted. For example, his proposal to locate the Peace Corps within USAID was turned down, and it remains independent today.

Major efforts to reform U.S. aid have since occurred more or less every decade. In the early 1970s, President Nixon decided to divide USAID into three separate agencies according to their function, with one to specialize in managing research and technical assistance, one to manage aid loans, and the third to coordinate aid, trade, and investment in developing countries. This complicated proposal for reform never got anywhere in Congress, and the president did not put much effort into pushing it.

In 1973 Congress passed legislation bringing about a major reform of U.S. aid that involved policy rather than organizational change: aid was reoriented toward providing for the basic human needs of those in poor countries—primary health care, basic education, shelter, agricultural assistance for small farmers. This reform was led by powerful and committed members of Congress, who were able to drive their authorizing legislation intact through the House International Affairs and the Senate Foreign Relations committees. Since 1985 the House International Affairs Committee and the Senate Foreign Relations Committee have failed to pass a single aid reauthorization bill.

In the late 1970s, Senator Hubert Humphrey introduced legislation to create an International Development Cooperation Agency (IDCA) to bring more coherence to U.S. development programs abroad, including bilateral aid, multilateral aid (the responsibility for which is lodged in the U.S. Treasury), and foreign investment promotion activities (for which the Overseas Private Investment Corporation was responsible). Senator Humphrey died before the legislation was passed, but the Carter administration took up the idea and created an IDCA considerably weaker than what the senator had envisioned—one which only had the power of coordination among these separate programs. In the end, having no control over the personnel or budgets of the agencies it was supposed to coordinate, IDCA was resisted, ignored, and eventually eliminated.[7]

Yet another effort to reform the U.S. aid system was initiated by Congress in the late 1980s. This time the reform effort concentrated on rewriting the basic legislative basis for U.S. foreign aid—the Foreign Assistance Act of 1961, amended so many times that the entire act is more than 500 pages long. This effort, led by Representatives Lee Hamilton and Benjamin Gilman, attempted to streamline processes and concentrate the focus of aid giving on a limited number of priorities. As their legislation moved through Congress, it picked up so many amendments that it became unwieldy and finally unacceptable to the administration of President George H. W. Bush. It too failed.

These four attempts to reform aid giving were aimed primarily at making aid for development more effective and addressing public and congressional criticisms of U.S. aid programs. As for the changes proposed in the Nixon and Carter administrations and the Hamilton-Gilman effort, proponents of these changes underestimated the difficulties of getting acceptable legislation on foreign aid out of Congress, and successive presidents were unwilling to spend the political capital necessary to get such legislation. The basic human needs legislation succeeded because it had support from several key members of Congress, from the administration, and from the development community, reflecting a widely shared view that it was time for a more developmental focus in U.S. aid in the wake of its use in the war in Indochina to prop up governments there. There was, in effect, what scholars like to call "an open window" for change in which a policy problem is widely recognized, a solution is available, and there are political leaders in key places willing to drive a change.[8]

An effort initiated by the Department of State in 1994 to merge USAID into the Department of State also failed. The secretary of state proposed to Vice President Gore that as part of Gore's "reinventing government" efforts, a study be undertaken of the pros and cons of such a merger, and the vice president agreed. As a defensive measure, USAID produced its own version of the merger as an option for this study that proposed that several aid programs within the Department of State—such as aid for refugees, democracy, and population—be shifted to USAID.[9]

After a campaign by USAID that involved efforts to mobilize the media, the NGOs, Congress, and other potential allies within the administration, which were few but included one powerful one—First Lady Hillary Clinton, who had become a fan of USAID's development work after visiting a number of its projects in South Asia, Africa, and Latin America—the vice president decided against a merger. Rather, USAID would "take foreign policy guidance from the Secretary of State," which it was already doing. This decision changed little in the way USAID and State related to one another in aid matters.[10] It was presented as more of a change than it actually was, partly as a way of saving face for the secretary of state who had lost the merger battle with USAID.[11]

These efforts to reorganize the U.S. system of foreign aid illustrate the dilemma of major organizational and policy reforms: fundamental reform typically provokes resistance and is almost always politically costly and time consuming as executive branch agencies, Congress, and relevant interests have to be overridden, bought off with concessions elsewhere, or brought on board and kept on board—and the bigger the reform and the more legislative changes needed, the more costly and time consuming the process. It is seldom possible to get acceptable legislation involving such changes through Congress without the active and sustained engagement of the president and other senior administration officials as well as key leaders in Congress.

U.S. Aid in the Bush Administration

In addition to the major increase in the volume of aid monies, President Bush has sought to implement the most ambitious set of changes in the organization and purposes of U.S. aid since the Kennedy administration. The first major change was the creation in 2003 of the Millennium Challenge Corporation (MCC)—an entirely new aid agency intended to provide economic assistance to governments of low-income countries who were "good performers." The second change was to establish the President's Emergency Plan for AIDS Response (PEPFAR), announced in 2003. This program is managed by a coordinator with the rank of ambassador who reports to the secretary of state. The third change, announced in 2005, was the new policy of "transformational diplomacy." This included the "dual hatting" of the USAID administrator as director of U.S. foreign assistance, a new role that gave the administrator authority over not only the USAID budget, but foreign assistance budgets located in the Department of State as well. The USAID administrator/director of U.S. foreign assistance was to report to the secretary of state. Fourth, there has been the gradual expansion of economic aid programs run by the Department of Defense (representing over 20 percent of U.S. economic assistance in 2005),[12] which includes reconstruction aid for Iraq and Afghanistan but promises to go beyond these conflict-related aid programs to become a more general source of funding for stabilization and community development projects throughout the world.

The Millennium Challenge Corporation

The MCC arose out of the United Nations Conference on Financing Development held in Monterrey, Mexico, in March 2002. President Bush could not avoid attending this conference since his friend and neighbor, President Vicente Fox of Mexico, was hosting it. Having decided to attend, the president then had to have a "deliverable"—something important and attractive to announce, and the only thing that made sense was an increase in U.S. aid, the more so because European leaders were already planning on announcing significant increases in their own aid budgets. The Monterrey conference acted as a trigger for an increase in aid that, reportedly, some in the administration had already been planning.

President Bush's decision to increase U.S. aid by $5 billion per year by 2006 through a new Millennium Challenge Account (MCA) was influenced by the rock musician Bono. While he looks like a rock star—sun glasses, slightly unshaven, black t-shirts, jeans, and jacket—Bono is a most unusual one: he is passionate about development and poverty reduction, especially in Africa. And as a devout Christian, he had access to a number

President Bush speaking at the Inter-American Development Bank, March 14, 2002. Seated on stage from left to right are Bono, Cardinal McCarrick of Washington, D.C., and James Wolfensohn, president of the World Bank. Source: White House (www.whitehouse.gov/news/releases/2002/03/images/20020314-7-1.html).

of influential religious conservatives in Washington, including President George Bush, whom he is said to have lobbied effectively for a generous increase in U.S. aid. While this story has not been fully told, government officials at that time confirm that Bono's role was very influential.[13] In addition, a picture of President Bush making a preliminary announcement of the increase in U.S. aid at the Inter-American Development Bank just before the Monterrey meeting shows Bono on stage with the president, and he was one of those whom the president thanked in his remarks.

A proposed increase in foreign aid by $5 billion per year would have been risky at almost any time in the previous fifty years. Congress almost certainly would have balked, and many foreign aid critics would have joined budget hawks in attacking and defeating such a proposal. But 2002 was not just any time. It was shortly after 9/11 when the American people were painfully aware that problems and discontent in one part of the world could produce dire consequences at home. With both houses of Congress controlled by Republicans and with Democrats and the media reluctant to oppose the president in the wake of the terrorist attack and

TABLE 2-1. Millennium Challenge Corporation Indicators

Indicator	*Category*	*Source*
Civil liberties	Ruling justly	Freedom House
Political rights	Ruling justly	Freedom House
Voice and accountability	Ruling justly	World Bank Institute
Government effectiveness	Ruling justly	World Bank Institute
Rule of law	Ruling justly	World Bank Institute
Control of corruption	Ruling justly	World Bank Institute
Immunization rate	Investing in people	World Health Organization
Public expenditure on health	Investing in people	World Health Organization
Girls' primary education completion rate	Investing in people	UNESCO
Public expenditure on primary education	Investing in people	UNESCO and national sources
Cost of starting a business	Economic freedom	International Finance Corporation
Inflation rate	Economic freedom	IMF WEO
Days to start a business	Economic freedom	International Finance Corporation
Trade policy	Economic freedom	Heritage Foundation
Regulatory quality	Economic freedom	World Bank Institute
Fiscal policy	Economic freedom	National sources, cross-checked with IMF WEO
Natural resource management index	Supplemental information	CIESIN/Yale
Land rights and access index	Supplemental information	IFAD and International Finance Corporation

Source: MCC website (www.mcc.gov/selection/indicators/index.php).
CIESIN: Center for International Earth Science Information Network; IFAD: International Fund for Agricultural Development; IMF WEO: International Monetary Fund's World Economic Outlook database; UNESCO: United Nations Educational, Scientific and Cultural Organization.

the emerging global war on terror, Congress was more than willing to support the president's proposal for a substantial increase in aid.

Finally, to counter arguments that aid had been ineffective, the president tied aid to the performance of recipient governments, arguing that good policy performance would produce more effective aid. Those that "govern justly, invest in their people, and encourage economic freedom" would be eligible to receive the new aid and arguably make the most effective use of it. Decisions on eligibility would be based primarily on sixteen objective indicators of performance—since increased to eighteen—such as the control of corruption, costs of starting a business, and expenditures on public health. Table 2-1 shows the eighteen indicators, where they fit into the general criteria for MCA aid, and where the data come from in applying the indicators.

Multiyear commitments of substantial amounts of aid to low-income (and later also to middle-income) countries based on these eligibility requirements were intended to provide incentives for countries to adopt policy reforms that would establish their eligibility. Up to 10 percent of the MCA funding was also authorized for threshold countries—to help those countries close to qualifying for funding but still lacking in certain areas to implement the reforms that would make them eligible. Additionally, recipient governments would play a major role in deciding how the aid was used in their countries by preparing and submitting funding requests that reflected their priorities.

The use of objective indicators to determine eligibility for U.S. aid was intended to take the guesswork, and U.S. diplomatic and political priorities, out of aid allocation decisions. The emphasis on having the recipient government play the major role in deciding how to use the aid was intended to ensure that the aid was "owned" by that government—that is, that recipient governments had a commitment and vested interest in the aid's being effective and its outputs sustainable. Both of these approaches had been much talked about in the past and on occasion made part of individual aid-funded activities, but they were never implemented as a core element in U.S. bilateral assistance. Together, they made the MCA an innovative approach to U.S. aid giving and, it was expected, would create incentives for other governments to become good performers to qualify for MCC aid. This was what came to be called the "MCC effect." Additional innovations included the absence of congressional earmarks on MCA authorization and appropriations legislation and the ability of recipients of MCA funds to purchase goods and services from providers outside the United States. (USAID funding was estimated to be around 70 percent tied to U.S.-produced goods and services in the Clinton administration; the percentage of tied aid is no longer published.)

A decision had to be made as to where the MCA would be located bureaucratically. Would it be part of USAID, as many, including USAID administrator Andrew Natsios, expected? Would it be located in the Department of State, as was reportedly urged by Secretary of State Colin Powell? In the end, the president chose to create an entirely new aid agency, the Millennium Challenge Corporation, to manage the new monies. The reason for this decision was not made public. It could be conjectured that the MCA was not located at State because it was supposed to be a program-based agency, focused on development rather than diplomatic priorities. The State Department had limited experience running this type of program, and it was not in the development business. Locating the MCA in USAID might put at risk the innovative approach to aid giving intended for the MCA, which differed from USAID's more traditional approach of playing a major role in managing the design and implementation of aid activities itself. Putting the MCA in USAID might also tempt Congress to extend its practice of earmarking USAID's appropriations to those of the MCA. And as noted earlier, USAID did not have a strong reputation in Washington for effectiveness or responsiveness, especially among the conservatives who populated the Bush administration; thus, support for its location there may have been limited among those making or influencing the decision.

The MCC was formally established in January 2004 as an independent, subcabinet-level agency with a chief executive officer and a board of directors that included the secretaries of state and the Treasury, the USAID administrator, the special trade representative, the CEO of the MCC, and four public members appointed by the administration and approved by the Senate. The new agency got off to a rocky start. It took a considerable amount of time to staff up, even though the number of staff was quite small—100 at first but reaching 300 at the time of this writing. And though much of the staff hired in the first year came with plenty of experience in finance, banking, and law, many had limited experience in development or in operating a government spending program. The MCC specifically avoided dealing with USAID (reportedly leadership and staff were fearful of being absorbed by that agency if it collaborated too closely) and lost an opportunity to learn from USAID's extensive experience in managing assistance programs and using its in-country expertise.[14]

It took even longer for the MCC to identify eligible countries and negotiate the multiyear compacts with them that would lay out the activities to be funded with MCC aid and indicate the expected results. The compacts themselves had to be developed by the recipient government in consultation with its own civil society and private sector. And an "accountable entity" had to be set up within recipient countries (governed by a board of responsible individuals from that country) to manage the MCC funds.

By June 2005, a year and a half after it was established, the MCC had made little progress, having approved only two compacts and having disbursed almost no money. After a number of African leaders complained to President Bush that the MCC had provided them little aid thus far, Paul Applegarth, the CEO of the corporation, resigned (or was asked to leave) and a new CEO, John Danilovich, was named. By the end of 2007, activity had picked up with fifteen country compacts signed along with thirteen threshold compacts. However, disbursements still remained limited and well below projected levels, amounting to only $125 million out of $4.8 billion in commitments.[15] Just under half of the $4.8 billion was in commitments signed in 2007. But even for those MCC country programs that had been under way for several years—signed in 2006 or before—disbursements were equal to only 5 percent of a total of $2.3 billion, and almost all of those programs were well under anticipated annual spending levels. The list below shows the countries that have signed compacts with the MCC and their implementation status as of November 2007:

- Armenia: Implementing
- Benin: Implementing
- Cape Verde: Implementing
- El Salvador: Signed 2007
- Georgia: Implementing
- Ghana: Signed 2006
- Honduras: Implementing
- Lesotho: Signed 2007
- Madagascar: Implementing
- Mali: Signed 2006
- Mongolia: Signed 2007
- Morocco: Signed 2007
- Mozambique: Signed 2007
- Nicaragua: Implementing
- Vanuatu: Implementing

The slow rate was troubling to MCC leadership and members of Congress who were reluctant to appropriate the full president's budget requests for the agency until they saw more monies actually being disbursed and results assessed. The Senate Committee on Appropriations reflected these concerns in its June 2007 report on appropriations for fiscal year 2008:

> The slow rate of disbursement reflects, in part, the MCC's overly optimistic estimates of compact countries' capacity to meet compact requirements, which may result in significant unobligated but undisbursed balances when compacts expire. There are few tangible results that can be measured from any of these compacts."[16]

Under current legislation, if obligations included in the compacts are not expended by the end of the five-year compact period, these funds will be lost, leaving planned projects unfinished and creating an impression of failure at home. Despite the slowness of its beginning operations, the MCC was regarded as a potentially valuable innovation in U.S. aid giving. The MCC is due to be reauthorized in 2008 when questions about its performance and its impact will be front and center.

President's Emergency Plan for AIDS Relief (PEPFAR)

At his State of the Union speech in January 2003, President Bush made a surprise announcement—he would ask Congress for $15 billion to be spent over five years to fight HIV/AIDS worldwide. While the federal government was already funding HIV/AIDS programs abroad, the size of the president's proposed increase in funding was astonishing and well received at home and abroad. In June 2007 President Bush proposed a doubling in PEPFAR funding—to $30 billion over the coming five years.[17]

What led the president to make such dramatic proposals? Several factors explain these initiatives. First, there was an increasing awareness in Congress and among the American public of the extraordinary scope and impact of the global human disaster resulting from HIV/AIDS, especially in Africa. It is estimated that 33 million people were living with HIV/AIDS in 2006, with 2 million deaths from the disease (see table 2-2). Deaths from AIDS per year are now double the number of deaths from malaria. And new infections continued to outpace the ability of the governments of affected countries and the international community to provide care and treatment: in 2005, for every new person receiving antiretroviral drugs, seven more were infected.[18] Further, HIV/AIDS was increasingly a disease

TABLE 2-2. Global Summary of the AIDS Epidemic, December 2007[a]

Number of people living with HIV in 2007	
Total	33.2 million (30.6–36.1 million)
Adults	30.8 million (28.2–33.6 million)
Women	15.4 million (13.9–16.6 million)
Children younger than 15	2.5 million (2.2–2.6 million)
People newly infected with HIV in 2007	
Total	2.5 million (1.8–4.1 million)
Adults	2.1 million (1.4–3.6 million)
Children younger than 15	420,000 (350,000–540,000)
AIDS deaths in 2007	
Total	2.1 million (1.9–2.4 million)
Adults	1.7 million (1.6–2.1 million)
Children younger than 15	330,000 (310,000–380,000)

Source: UNAIDS and World Health Organization, *Epidemic Update 2007* (http://data.UNAIDS.org [January 2008]).

a. Numbers in parentheses indicate the possible range.

affecting women. Sixty percent of those with the disease were women and girls, and especially young girls—for each boy with the disease between the ages of fifteen and nineteen, there were seven infected girls.

As these facts became widely known, there was growing support among a variety of groups across the U.S. political spectrum—from gay activists and those concerned with the impact of the plague in Africa on the left to the religious right. For example, Rick Warren, pastor of one of the largest evangelical megachurches in the United States (Saddleback Church in Orange County, California, with 20,000 members), increasingly viewed the disease as afflicting innocents—especially women and children—and considered it a Christian duty to help. Thus, the president was able to make a series of dramatic and popular proposals on aid for fighting

BOX 2-1. U.S. Government Agencies Engaged in Fighting HIV/AIDS

President's Emergency Plan for AIDS Response (PEPFAR)
Department of State
U.S. Agency for International Development
Department of Health and Human Services
Department of Commerce
Department of Defense
Department of Labor
Peace Corps

HIV/AIDS, which would have bipartisan support and provide him with an important legacy.

Congress passed the United States Leadership against HIV/AIDS, Tuberculosis and Malaria Act in 2003, authorizing PEPFAR. After some internal competition between the Department of Health and Human Services and the Department of State for control of PEPFAR, it was decided to locate a global AIDS coordinator in the Department of State to manage the new program and to "oversee and direct" HIV/AIDS operations of all U.S. government agencies.

The first PEPFAR coordinator was Randall Tobias, former CEO of Eli Lilly and AT&T. He created a programming process and established several interagency committees to coordinate U.S. government AIDS policies. These included a policy group for principals, a deputy principals group that focuses on program management, a technical working group, country core teams, and a scientific steering committee. Within U.S. embassies in the field, the ambassador was charged with creating a team to draft five-year strategic plans and one-year operational plans to fight HIV/AIDS. Implementation of the PEPFAR funds fell to a considerable extent to USAID.

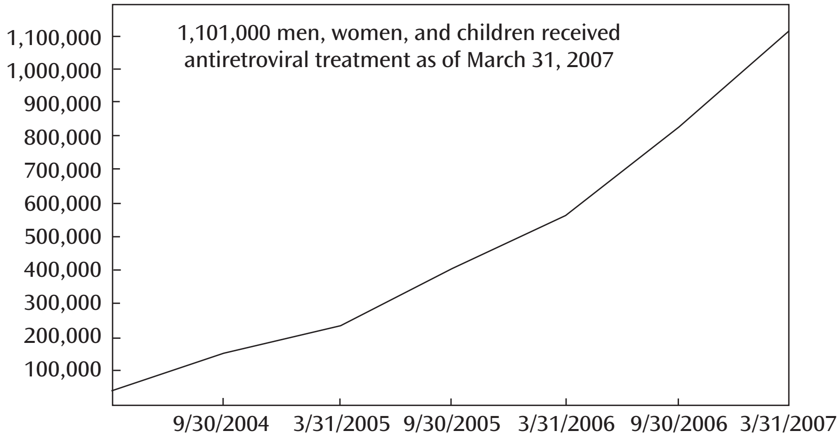
The principal activities to be funded with the new HIV/AIDS monies were prevention, treatment, and care. Congress earmarked 20 percent of the new funding for prevention, emphasizing abstinence before marriage, being faithful within marriage, and condom use (ABC), with at least one-third of prevention monies to go for activities encouraging abstinence and faithfulness. This earmark, together with a prohibition on providing PEPFAR assistance to any group "that does not have a policy explicitly opposing prostitution and sex trafficking," reflected the views and values of the Christian groups supporting the legislation but proved highly controversial with other constituencies involved in HIV/AIDS work. Responding to criticisms from the medical community and others of the abstinence earmark in particular, both the House and Senate passed legislation waiving the earmark on PEPFAR aid for abstinence in the aid appropriations bill for 2008.

Treatment provided antiretrovirals (ARVs) to those infected with the disease and care included programs for the rising numbers of AIDS orphans and vulnerable children. ARVs initially had to be brand-name drugs—that is, more expensive than generic drugs and thus likely to come from the large U.S. pharmaceutical companies. This provision was controversial and later relaxed to permit generic drug purchase if the drugs had been approved by the U.S. Food and Drug Administration. Fifteen "focus countries" were chosen (thirteen of which were in sub-Saharan Africa) for two-thirds of the new funding. U.S.-financed HIV/AIDS programs already existed in 100 countries worldwide; these countries would receive $4 billion in new funds. The final $1 billion would go the Global Fund to Fight AIDS, Tuberculosis, and Malaria.

In keeping with the management approach of the Bush administration (and the Clinton administration before it), PEPFAR would be accountable for achieving measurable results. Three goals were identified: (1) the prevention of 7 million new infections; (2) the treatment of 2 million infected people; and (3) care for 10 million of those infected or affected by the disease. Implementation programs in recipient countries would be based on the "three ones": one national plan; one national coordinating authority; and one national monitoring and evaluation system. Further, U.S.-funded programs should be tailored to local needs and conditions. There was, of course, a contradiction in these requirements: earmarks demanded that a portion of PEPFAR monies be spent for a particular purpose—prevention and abstinence—which collided with the goal of tailoring PEPFAR programs to local needs, conditions, and preferences.[19]

As of 2007, the overall performance of PEPFAR in getting up and running and making progress in achieving its goals had been impressive. By

FIGURE 2-1. Number of Individuals Receiving Antiretroviral Treatment[a]



Source: President's Emergency Plan for AIDS Relief (PEPFAR) (http://www.pepfar.gov/press/85520.htm).

a. Total of both upstream and downstream U.S. government–supported interventions.

then, PEPFAR reported providing over 1 million people with ARVs and had proven that the delivery of significant amounts of funding and medicines was possible under the program (figure 2-1).

Additionally, 61 million people had been reached by PEPFAR-funded prevention campaigns, and the United States was supporting 2 million orphans and vulnerable children and providing care to another 2.4 million people living with HIV/AIDS. The program had proven that aid could be delivered effectively and affordably to large numbers of people—something that had been questioned by many, including senior U.S. officials, before the program began operations. What was not clear was exactly how many recipients of ARVs were supported directly by PEPFAR funding as well as how the recipients of ARVs were handling the drugs, whether the supply chains were reliable, and whether the many people reached with PEPFAR's prevention efforts actually changed their risky behavior. Finally, PEPFAR continued to enjoy bipartisan support, and prominent members of Congress from both political parties expressed their support for its reauthorization due in 2008 and appropriated an increase in HIV/AIDS funding for fiscal 2007 and 2008—in fact, more than the president requested. PEPFAR officials were optimistic about the program being reauthorized by Congress in 2008 and about the doubling in PEPFAR funding.

However, an evaluation by the Institute of Medicine (IOM) of the National Academy of Sciences, while praising the accomplishments thus far of PEPFAR, urged that several important amendments be made in the functioning of the program. One, mentioned above, was that the congressional earmarks on the funds be eliminated. Prevention programs including abstinence were critical to the fight against HIV/AIDS, but all prevention programs should be flexible enough to meet local cultural norms and conditions, harmonize with local plans, and not have their operations restricted by Washington. Second, the evaluation of the results of PEPFAR's activities should be based more on "outcomes" (that is, its impact on beneficiaries' lives and behavior and the evolution of the disease) and less on "outputs"—that is, how many people were reached by prevention campaigns or treatment and care.

Finally, a third and very important recommendation of the IOM evaluation was that PEPFAR should begin to transition from an emergency response entity focused on fighting HIV/AIDS to a sustainable program that would create the capabilities and conditions in afflicted countries so that those countries could sustain the fight against HIV/AIDS themselves. This recommendation is based on the reality that it is difficult to address chronic social problems effectively in isolation. In the case of HIV/AIDS, the fight cannot be sustained and won without stronger health systems, a larger number of trained health workers, and special provisions to protect vulnerable women and young girls. Most ambitiously, perhaps, is to improve the status of women through more education, reform of legal systems, and greater access to resources for women. Some of these functions were not permitted in PEPFAR's legislation. Ironically, the large amounts of HIV/AIDS funding were weakening the ability of health systems in poor countries to deal with other illnesses as personnel increasingly turned to work on care for AIDS patients.

PEPFAR, it was beginning to be argued, should take on the broader issues of development and social change that must be addressed if prevention, treatment, and care are to be effective and durable over the long term. Another reason for broadening the range of problems HIV/AIDS monies should address was the limitations on the capacity of local governments and organizations to use the sudden large increase in funding effectively—USAID officials in the field, who managed much of the PEPFAR monies, were already raising this problem quietly with headquarters in Washington and worried how they would be able to handle a doubling in five years. There were signs that PEPFAR was beginning to grapple with these issues to the extent that its authorizing legislation permitted it, including capacity building in health systems in recipient countries. But it was also evident that aid from other U.S. government programs was beginning to be directed to fund activities associated with the fight against HIV/AIDS, such as funding for nutritional supplements for those taking ARVs, reflecting the gravitational pull of the very large volume of aid tied to preventing, treating and caring for HIV/AIDS victims. The fact that one social problem, no matter how grave, is almost always linked to many others in what is often a seamless web has long been one of the basic challenges of development and is a challenge to effective fighting of HIV/AIDS.

There was also the worry among experts and observers that as the United States began to deliver ARVs to a growing number of individuals, it was taking on a long-term commitment to continue that support since it seemed unlikely that the poor in Africa and Asia or their governments would be able to finance their own medications in the foreseeable future. And, it should be remembered, the United States, along with other governments at the G-8 Summit at Gleneagles, at the UN High Level Meeting on HIV/AIDS in 2006, and elsewhere committed to helping all victims of HIV/AIDS gain access to ARVs by 2010—implying much larger commitments in the future. The United Nations estimates that to provide ARVs to all who need them would require over $22 billion a year. The provision of such a large amount of U.S. aid for HIV/AIDS and in particular for ARVs raised an issue unlike any other faced by U.S. foreign aid programs. Aid was keeping people alive through the antiviral drugs, but because so many were poor, and their governments were poor, they were unable to afford the drugs in the absence of aid. Should the U.S. government for any reason (funding fatigue, other more pressing priorities, such as budget constraints) decide to substantially reduce or terminate the funding with no other source of funding to replace it, the United States would be complicit in the certain deaths of those whose lives had been initially saved. This would be an ethically repugnant act for the U.S. government to commit. Thus, increasing funding for HIV/AIDS, above all for life-saving drugs, raises difficult questions about the long-term nature of U.S. aid, a topic to which I shall return in the next chapter.

USAID and "Transformational Diplomacy"

In his second inaugural speech in January 2005 President Bush declared, "The survival of liberty in our land increasingly depends on the success of liberty in other lands. . . . America's vital interests and our deepest beliefs are now one. . . . Across the generations we have proclaimed the imperative of self-government. . . . Now it is the urgent requirement of our nation's security, and the calling of our time. . . . So it is the policy of the United States to seek and support the growth of democratic movements and institutions in every nation and culture, with the ultimate goal of ending tyranny in our world."

These words promised a grand and ambitious global mission for the United States. Secretary of State Condoleezza Rice sought to turn the words into policy in her speech at Georgetown University almost a year later where she announced, "To achieve this bold mission, America needs equally bold diplomacy, a diplomacy that not only reports about the world as it is, but seeks to change the world itself. I and others have called this 'transformational diplomacy.'" The specific goal of transformational diplomacy was to "build and sustain democratic, well-governed states that will respond to the needs of their people and conduct themselves responsibly in the international system." In a speech at the State Department the following day, Secretary Rice declared that "foreign assistance is an essential component of our transformational diplomacy . . . to empower developing countries to strengthen security, to consolidate democracy, to increase trade and investment, and to improve the lives of their people . . . and to prevent future failed states like Afghanistan."

She announced that the USAID administrator would be "dual-hatted," becoming the director of U.S. foreign assistance (DFA), a new position that would have the rank of a deputy secretary of state and report directly to her. This person would be charged with better aligning foreign assistance with foreign policy goals and would have authority over all USAID programs (Development Assistance, Child Survival/Global Health, and PL480 food aid) and Department of State foreign assistance accounts, including PEPFAR, Economic Support Funds, Migration and Refugee Affairs, Andean Drug programs, and funding for projects and programs in Eastern Europe and the former Soviet Union. The director also had "coordinating authority" over other U.S. aid programs—the MCC and the numerous smaller aid programs located in some twenty-four federal departments and agencies. The reform was intended to rationalize and to bring greater coherence, transparency, and effectiveness to an increasingly fragmented system of aid within the U.S. government in support of transformational diplomacy. And it was also expected that a more transparent and rational aid system would help persuade Congress to make better informed decisions on the allocation and use of aid, and presumably to reduce the number of earmarks and directives that increasingly constrained much of the aid program.

Ambassador Randall Tobias was named the new U.S. director for foreign assistance, leaving his position as coordinator for PEPFAR. The director's office was created in April 2006 and physically located in the Department of State building. Called "F" for foreign assistance—elements of the Department of State reporting to the secretary typically have a single letter as their principal designation—the office eventually included roughly sixty staff from the USAID policy and budget office and from various State Department bureaus. F promptly set to work by creating an elaborate planning and programming process for the aid programs over which it had direct authority. This process came to be called the "F process." Specifically, Director Tobias listed four goals of the reforms:

- First, establishing a common foreign assistance strategy, and focusing our resources on the attainment of the goal and objectives of that strategy.
- Second, integrating our planning, budgeting, programming, and results reporting, at every level, so that we will always be able to

BOX 2-2. Strategic Framework: Country Categories

- ***rebuilding countries*** (states in or emerging from conflict)
- ***developing countries*** (low- or middle-income countries not eligible for MCC funds)
- ***transforming countries*** (low- or lower-middle-income countries eligible for MCC funding and meeting standards relating to political rights)
- ***sustaining partner countries*** (upper-middle-income countries)
- ***restrictive countries*** (states "of concern"—often with serious governance problems or with legislative restrictions prohibiting direct assistance or both)
- ***regional programs*** (programs that include more than one country)

make decisions on the basis of a full and coordinated picture of how our resources will work together.

- Third, improving the transparency of all that we do in connection with our foreign assistance resources.
- Strengthening accountability for the results that are—or are not—achieved with these resources.[20]

In structuring the reforms, Tobias and his planning team took a very logical approach, much as was done in setting up PEPFAR earlier. First, they identified five broad objectives for foreign aid:

- Creating peace and security
- Supporting just and democratic governance
- Encouraging investment in people
- Supporting economic growth
- Providing humanitarian assistance

They then created a strategic framework to categorize developing countries and the types of aid they would receive. This framework was drawn from an earlier analysis in a USAID white paper, *U.S. Foreign Aid: Meeting the Challenges of the Twenty First Century* (2004).[21]

The strategic framework included categories "based on common traits, and places them on a trajectory of progress, with the ultimate intent of supporting recipient country efforts to move from a relationship defined by dependence on traditional foreign assistance to one defined by full sustaining partnership status."[22] To strengthen the framework on which this process would be based and to provide more information on how aid funds from all sources were used, a detailed classification of the activities funded by aid was also developed—some 407 objectives, program areas, elements, and subelements—to be applied to all U.S. aid expenditures. Part of the goal in collecting these data was to give government officials, members of Congress, their staffs, and the public detailed data on how much money the United States spends on particular types of activities and where it is spent—information that had not been collected in such detail previously (see box 2-3). Secretary Rice reportedly once asked her staff how much the United States was spending on democracy promotion, but no one was able to give her an answer—a story (whether true or not) often told to explain why the F process required so much data.

Within the State-USAID mission strategic plans developed for individual countries, each USAID operating unit (that is, field mission and central offices in Washington) would submit an annual operational plan showing how funds would be spent to achieve the goals of transformational diplomacy and, it was hoped, move the country from one development category to the next. Country working groups in Washington would use these plans to determine the overall aid budget for individual recipient countries and, to a considerable extent, how the funds would be spent.

Finally, Tobias reportedly planned to rationalize the use of U.S. aid by assigning specific activities to particular agencies, thus cutting down on duplication, for example, between what the Department of State did and what USAID did in their two separate democracy promotion programs.[23]

Many of the goals and procedures of the F process made a great deal of sense and were long overdue. Better data on aid expenditures from all sources were essential to effective programming, budgeting, and transparency. A strategic planning process that began with an overall foreign policy goal and then derived country programs and budgets to support that goal was reasonable. It also made sense to align the way U.S. aid was spent with the characteristics of particular recipient countries rather than to develop budgets on the basis of sector accounts (for example, health, family planning) with amounts dictated from Washington as had been the dominant approach in the past.

However, the implementation of the F process reforms came to be seen as increasingly problematical by many in USAID, State, Congress, and among NGOs and contractors, the latter two being important constituents

BOX 2-3. The "F process" and Enabling Evidence-Based Dialogue: A Perspective from the Inside

Within the U.S. government, over 20 departments and agencies operate their own foreign assistance programs. They use different methodologies for accounting and performance evaluation. The result is a myriad of databases collecting inconsistent and incomparable data. The absence of a common system limits our ability to consistently compare the performance of one program to another, of one implementing partner to another, or of one recipient country to another. Without a common framework, we are left with anecdotes only for learning and application of best practices.

Twenty-first-century technology allows us to systematically collect and analyze detailed information across borders with more efficiency and precision than ever before. The Office of the Director of U.S. Foreign Assistance (F) was established to better coordinate and rationalize the many foreign assistance programs implemented by the U.S. government. F sought to enhance the accountability, effectiveness, efficiency, and credibility of foreign assistance by introducing a system of coordinated planning, budgeting, and evaluation that would answer three principal questions:

- How are foreign assistance funds being used?
- What is being achieved with these funds?
- Are these outcomes the right outcomes for both U.S. foreign policy goals and sustainable impact on poverty reduction?

To answer the three questions, F developed a uniform system to record, measure, and assess various types of U.S. government assistance programs across over 150 countries. Under the director of U.S. Foreign Assistance's guidance, State and USAID staff built a common set of program definitions and indicators with input from the nongovernmental organization (NGO) community. To ensure that all appropriate forms of assistance were captured by this system, definitions and indicators were posted online for review for a full year with an accompanying email address for comments and suggestions.

Additional contributions to the common data collection system included a State-USAID review of annual operational plans, a computer system that uniformly tracked budget allocations to specific activities by country, a computer system that captured and extracted information from the operational plans, and a revised congressional budget presentation that provided data on U.S. assistance by program, by country, and by objective.

The intention of these efforts was to collect information to enable evidence-based decisionmaking and dialogue between the numerous foreign assistance stakeholders. Over time, F staff hoped that one data collection system would allow the executive branch, Congress, NGOs, businesses, and international partners to move away from anecdote-based dialogue to engage in rigorous, thoughtful discussions about the intent, impact, and funding of U.S. foreign assistance. We hoped to improve the focus and effectiveness of U.S. government efforts toward the core goal of foreign assistance—helping people around the world to live in societies that allow them to reach their highest potential.

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Former Senior Advisor to Ambassador Randall Tobias,
Director of U. S. Foreign Assistance and Administrator, USAID
U.S. Department of State

of U.S. aid, and its main implementers. There were two types of problems: the way the reforms were elaborated—that is, their substantive details—and the manner in which they were implemented.

Problems of Substance

There were five problems of substance or policy associated with the F reforms. One involved the goal that aid was supposed to advance—transformational diplomacy. A second involved the way aid was proposed to advance that goal—the strategic framework developed for programming aid. A third was the set of organizational issues raised by a partial integration of USAID and the Department of State. A fourth involved data and programming processes. And fifth was the impression that the F process represented a recentralization of decisionmaking in Washington from what had been a field-based organization with considerable authority delegated to field staff for programming and implementation.

First, the goal of transformational diplomacy had two fundamental elements: one was promoting development—"democratic, well-governed states that will respond to the needs of their people."[24] And the other was supporting U.S. diplomacy—encouraging states "to conduct themselves responsibly in the international system," presumably including supporting U.S. policies, especially the global war on terrorism. There appears to have been an assumption that these two goals were mutually reinforcing—that democratic, well-governed states would act responsibly from the U.S. point of view. But that was a leap of faith; U.S. policies were supported by countries that were not democratic or responsive to the needs of their peoples. Pakistan comes to mind as an important example. And other countries were democratic but did not support many U.S. policies. Would France perhaps at times fit into this category? Venezuela? Egypt if it actually had free and fair elections? Many countries fit somewhat into both of these categories, and others moved back and forth.

At another level, democracy, development, and responsible behavior were apparently seen as linked: democratic states were more peaceable—an assumption made by both the Bush and Clinton administrations. It was thought that they enjoyed peace and security at home because they were legitimate in the eyes of their citizens, who had a voice in policies and held governments accountable, and were more peaceable internationally—"behaved responsibly"—since they did not go to war with other democratic states.[25] Importantly, they did not—in theory—become failing or failed states and thus sources or sanctuaries for terrorists.

There would be little argument from most development experts that governance and institutional capacity were at the core of the most difficult development problems worldwide and often associated with state failure. But the understanding of basic causes and consequences of governance problems, which, lest we forget, can and do exist in established democracies, is still unsettled and often in dispute. And while there is a clear relationship between democracy and prosperity in the long run, it is far from clear that in the short or medium term democracy leads to improved governance. It is not proof against corruption and conflict—indeed, transitions from autocracy to democracy often intensify conflict.

The disconnect between democracy, development, and diplomacy is a basic flaw in the concept of transformational diplomacy. It obscures the very real tension, and sometimes conflict, that can exist between the requirements of development and the imperatives of diplomacy; and it can emerge in decisions on country allocation and use of aid.

A second problem with the substance of the F process was the strategic framework for aid giving (described above). If the framework had been simply a convenient classification of countries with no presumption that it was precise or that countries fit neatly into the separate categories or progressed naturally from one end (recovering from conflict) to the other (to democratic governance and economic prosperity), it might have been a useful conceptual tool. Further, neither the five goals nor the country categories included aid for primarily diplomatic relationships, which were an essential element in U.S. aid giving, undoubtedly fueling a fear within the Department of State that the F process represented a takeover by USAID of State's assistance programs.

As it turned out, the goals and country categories tended to be used as programming tools, turning them into an instrument of decisionmaking. As a result, the application of this framework produced budget and program results, which some in the development community, Congress, and the executive branch found difficult to understand. For example, Senator Patrick Leahy, chair of the Subcommittee on State, Foreign Operations, and Related Programs of the Senate Appropriations Committee, questioned cuts in aid to Nepal, just emerging from a Maoist conflict, and to the Democratic Republic of the Congo, strategically positioned in Africa and also (it was hoped) emerging from a long civil war. Plus, cuts in democracy promotion activities in Russia (barely hanging on to democracy) and others provoked considerable criticism from members of Congress.[26]

Third, there were organizational issues raised by the integration of budgets and planning by USAID and the Department of State in the creation of F. There was a general concern (shared by this author) that combining State and USAID budget processes would eventually lead to a takeover by State of USAID's assistance programs and the loss of that agency's development mission. This was not the intention of the F process reforms or of Secretary Rice or Director Tobias, but it was the fear in much of the development community inside and outside the government, especially with regard to what would happen after the current officials involved in the reforms were replaced by others with less interest in the rationalization of aid for development. Ironically, as mentioned above, many in the Department of State feared exactly the reverse was happening: that USAID and its development goals were absorbing State aid programs and the diplomatic purposes they served.

In the 2008 budget process, budget decisions reinforced the fear that USAID and its mission was being absorbed by State. First, funding requested for USAID's development assistance account (the primary source of development-oriented bilateral aid) was cut by one-third from the 2007 level, while the Economic Support Funds (ESF—controlled traditionally by the Department of State) rose by 25 percent. Second, funding for USAID's operating expenses that are essential to managing a complex aid program (USAID implements not just its Development Assistance and Global Health/Child Survival accounts but ESF, food aid, and a number of other aid accounts) were cut while operating expenses for the Department of State were increased.[27] These shifts were explained by Tobias in his testimonies to Congress in early 2007 as an effort to rationalize the current aid system. However, his explanation proved unconvincing and prompted Representative Nita Lowey, chair of the key Subcommittee on State, Foreign Operations, and Related Programs of the House Appropriations Committee, to complain that

> I've seen a budget request which gutted the Development Assistance account and reallocated funding to an account with other priorities, which could lead to a shift in funding away from long-term development programs. And I have seen a budget request which sizably increases the operating costs of the State Department yet cuts funding for USAID's operating costs. . . . The result is that AID has become more of a procurement mechanism and less of a policy shop.[28]

These views were also voiced by InterAction, the umbrella organization that represents 165 development and relief NGOs, when it criticized the Bush administration for shortsightedness for giving the secretary of state "control over American foreign assistance," citing decisions made in the F process that appeared to downplay poverty concerns and support security objectives.[29] Other NGOs began to voice similar apprehensions. A remark by a Department of State spokesperson seemed to confirm these fears. When questioned about the notion of the reforms being a power grab on the part of the State Department, Sean McCormack remarked, "These shifts are designed to give ambassadors more flexibility."[30]

Further inflaming concerns in USAID and in Congress about the F process were plans on the part of Tobias to close a number of USAID missions in the field and appoint "development attachés" or rely on regional missions to manage aid activities in "transforming countries," those eligible for MCC funding. While this policy may have made sense as Tobias sought to rationalize the responsibilities of different U.S. aid agencies, it was seen as yet another move to shrink the presence and mission of USAID and to cut U.S. engagement in many countries where USAID had been present for decades. It was especially worrisome since little of the MCC's funding had actually been disbursed to its eligible recipients.

The fourth problem with the substance of the F reforms was the amount of detail demanded in the F process data and programming requirements. Producing useful data was an important element in the reform process, but the amount of information required from USAID missions on their proposed expenditures was very large and proved extremely time consuming to collect. Further, the country operational plans required of USAID missions reportedly reached hundreds of pages each—far larger than busy officials or congressional staffers had time to read or analyze.[31]

Fifth, during this early stage of the F process, it looked very much like what had in the past been a relatively decentralized programming and implementation system in USAID, with considerable decisionmaking power delegated to field missions, was being centralized in Washington. "Strategy" decisions now made at headquarters were interpreted broadly, with limited input from the field (and limited information on the process transmitted to the field). This trend provoked criticisms by USAID staff, and eventually staff and members of Congress, that programming and budgetary decisions were less transparent than at any time in the past.

These five problems fed growing unease on the part of USAID professionals, staff and members of Congress, and in the development community regarding the direction of the reforms. But it was the style of their implementation that turned unease into alarm and resistance on the part of many.

Problems of Style

An additional set of problems arose in the way the F process was implemented. First, the key decisionmakers were Tobias and a small inner circle of staff. While many of the staff were exceedingly able, some lacked experience in the bureaucracy and in the politics of aid in Washington. They were seen as closed and overly protective of Tobias, but they were apparently reflecting his preferred operating style. And they were mostly young—causing some resentment among more senior officials in USAID and State to whom they were giving directions.

Second, decisions involving the changes in the F process were made in ways perceived as preemptory and autocratic by USAID and State officials and others outside the administration, causing further resentment and resistance. Third, old policies were discarded with relatively little discussion within the bureaucracy with those who were going to have to implement the new policies. There was almost no preparation of the bureaucracy and others for the large scope and rapid implementation of the reforms. This rushed process produced confusion and feelings of disempowerment by experienced professionals, adding to problems of morale and criticisms of the changes. Further, the fact that the director spent nearly all his time in the Department of State rather than at his

USAID office also sent a signal to USAID staff, whether accurate or not, that he was uninterested in their views or their work.

There were extensive briefings inside and outside government on the content of the reforms. While these were sometimes described as "consultations," they were seen by many as involving more the delivery of information than a listening to concerns and an exchange of views.[32] The perceived lack of consultations with Congress and the apparent direction of the reform process provoked sharp critiques from members of the House and Senate, including Representative Tom Lantos, then chair of the House Foreign Affairs Committee, Senator Patrick Leahy, chair of the Subcommittee on State, Foreign Operations, and Related Programs of the Senate Appropriations Committee, and from Senator Robert Menendez, member of the Senate Foreign Relations Committee. Menendez echoed the others on the reform process when he complained that

> The foreign aid reform process was carried out in an exclusive, secretive manner. People refer to the "F process" as a black box without any real input or consultation, except for post-facto briefings, with Congress, with the NGO community, or others inside the government.
>
> The process was top-down and excluded valuable input from the people in the field who know the most about what is happening on the ground. . . .
>
> USAID is in the process of being decimated as its funding, role, and mission are reduced.[33]

Randall Tobias resigned on April 27, 2007, after he admitted using a Washington escort service, and just a year after he had taken on the job. Even without Tobias's sudden departure, the rising chorus of criticism of the F process made it seem likely that the process, and Tobias himself, were headed for trouble, especially with Congress. Some of the processes put in place under his leadership have remained, some have been adjusted, and others appear to be in limbo.[34] Tobias's successor, Henrietta Fore, former undersecretary of state for management, has taken steps to reach out to the NGO community, listen to senior USAID management, incorporate the field perspective, simplify the budget and planning process, and reduce Washington involvement in implementation, leaving the basic principles of the reform in place. However, it seems that the reform process will remain in a holding pattern, with some adjustments, for the remainder of the Bush administration.

Department of Defense

Every three years or so, the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD) produces an in-depth study of the foreign economic assistance programs of each member state (including most aid-giving countries of Europe, North America, and Japan) and the European Union. The most recent of these studies of U.S. aid offered a statistic that surprised many: in 2005, 22 percent of U.S. official development assistance was provided by the Department of Defense (DoD), up from 3.5 percent in 1998 and second only to USAID, which provided 39 percent.[35] Much of DoD's aid was provided for reconstruction in Iraq and Afghanistan, where U.S. troops are operating in often very insecure environments. But there have been policy changes in DoD that suggested that the Pentagon is moving into the aid-giving business in a significant and sustained way, and not only in countries where the United States is engaged in military operations.

DoD's mission has been expanded to include activities falling into the traditional domain of development. Defense Department Directive 3000.05 stated that "Stability operations are a core U.S. military mission that the Department of Defense shall be prepared to conduct and support. They shall be given priority comparable to combat operations and be explicitly addressed and integrated across all DoD activities. . . . Stability operations are conducted to help establish order that advances U.S. interests and values. The immediate goal often is to provide the local populace with security, restore essential services, and meet humanitarian needs. The long-term goal is to help develop indigenous capacity for securing essential services, a viable market economy, rule of law, democratic institutions and a robust civil society."[36]

The Quadrennial Defense Review for 2006–09 (an overall national defense strategy and planning document) reiterated the requirement that the U.S. military "must be trained, ready to operate and able to make decisions in traditionally non-military areas, such as disaster response and stabilization."[37]

In 2006, in response to active lobbying by DoD, the National Defense Authorization Act (section 1206) allowed the Department of Defense "to spend up to $200 million of its own appropriations to train and equip foreign militaries to undertake counterterrorism or stability operations." This language in effect provided the Pentagon with the ability to create its own military assistance program (the existing military assistance budget had been housed in the Department of State to ensure the assistance was used in concert with U.S. diplomacy in recipient countries). DoD has recently proposed to amend section 1206 to include a "Building Global Partnership Act" that would give DoD permanent and global authorities to provide assistance directly (including humanitarian and stabilization aid) anywhere U.S. troops are operating rather than have to obtain the concurrence of the secretary of state. Congress has been reluctant to agree to all of these proposals but supported a three-year pilot phase to test DoD's ideas, with some restrictions on where the funds could be spent and requirements that Defense coordinate with the Department of State and the director of U.S. Foreign Assistance.[38]

The Commanders' Emergency Response Program (CERP) enables military commanders to distribute funds to assist communities where they are operating. It is estimated that up to 2007, DoD spent roughly $2 billion of CERP funds in Iraq, in addition to funds disbursed by the Department of State, USAID, and other U.S. government agencies. The 2008 DoD budget has requested $1 billion in CERP funds with considerable flexibility as to where they would be spent worldwide.[39]

Provincial Reconstruction Teams (PRTs) have also been set up by Defense to provide assistance for reconstruction in Afghanistan and Iraq. These teams, led and to a considerable extent staffed by the U.S. military, have funded projects related to security and development in these countries. Goals for PRTs in Iraq include "bolstering moderates, promoting reconciliation, supporting counterinsurgency operations, fostering economic growth and developing capacity."[40]

The U.S. military—led by the U.S. Army—has created three major programs in sub-Saharan Africa: the Combined Joint Task Force–Horn of Africa, the East Africa Counterterrorism Initiative, and the Trans-Sahara Counterterrorism Initiative, each with funding not only to help train local military and security forces but to fund school construction, well digging, and other development-oriented activities.

The U.S. Navy has created an African Partnership Station in Naples to support a greater engagement of its personnel in West and Central African countries where its ships make port calls—a longer stay with possibly more frequent visits combined with an effort on the part of sailors to do a variety of good works (possibly partnering with NGOs like Project Hope) in these countries.[41]

On February 6, 2007, President Bush announced the creation of AFRICOM—a new unified military command to cover Africa. (Africa had previously been divided between the European, Central, and Pacific Commands.) This move, which will take several years to implement, signaled a much heightened interest on the part of the U.S. military in Africa. General Banz J. Craddock of the European Command has argued, "The large ungoverned area in Africa, HIV/AIDS epidemic, corruption, weak governance, and poverty that exist throughout the continent are challenges that are key factors in the security stability issues that affect every country in Africa."[42] It seemed clear that AFRICOM would become active in stability and development operations on the continent. It was described as "promoting a greater unity of effort across the government in Africa."[43] The deputy commander for civil-military affairs is a State Department officer.

There are several basic contradictions in what DoD says its intentions are, especially with regard to AFRICOM. Contradiction 1 is this: Officials say they want to address the problems leading to instability in Africa—poverty, weak state institutions, lack of democracy, and weak security services; they also say that they do not intend to run large assistance programs or duplicate what others are doing. However, the problems they propose to address are essentially development problems and are enormous, complicated, and expensive to address and require a long-term and well-informed commitment—they are the same problems that all development agencies face. Contradiction 2, with special regard to AFRICOM, is that Defense officials stress that they have no intention of taking over or compromising the functions of the Department of State, U.S. ambassadors in the field, or USAID in their stabilization work in Africa while also affirming that they intended to bring everyone together under AFRICOM's umbrella to coordinate stabilization policies (on a regional basis). If they are the conveners, they will shape and possibly drive the political agenda in their regions and potentially encroach on the authorities of U.S. ambassadors and the Department of State. In any case, it is difficult to align regional and country-focused policies, another mini-contradiction that may make the stated role of AFRICOM difficult to achieve. These contradictions are of particular concern to the Department of State, which understandably does not want to see the authorities of U.S. ambassadors in the field eroded or circumscribed by another U.S. agency.

What is behind these contradictions? My suspicion is that Defense officials have yet to sort out fully what is involved to achieve their stabilization objectives abroad and the implications of their initiatives for U.S. foreign policy. So what is driving these initiatives by DoD? There appear to be four major factors: (1) its new global war on terror mission to support stabilization in developing countries where ungoverned spaces, poverty, and discontent can produce or harbor terrorists; (2) a frustration over the lack of resources on the part of the civilian agencies to address stabilization issues adequately; (3) an effort to create a relationship for a military presence should that be needed in the future and to ensure friendly relations with communities in countries where there is a military presence; and (4) the natural tendency of bureaucracies to expand the scope of their activities (and their budgets) to fit their missions. The main factor appears to be frustration on the part of DoD in getting the stabilization job done quickly by civilian agencies. For example, Defense Secretary Robert Gates recently remarked that

> One of the most important lessons from our experience in Iraq, Afghanistan, and elsewhere has been the decisive role reconstruction, development, and governance plays in any meaningful, long-term success.
>
> The Department of Defense has taken on many of these burdens that might have been assumed by civilian agencies in the past . . . forced by circumstances, our brave men and women in uniform have stepped up to the task, with field artillerymen and tankers building schools and mentoring city councils—usually in a language they don't speak. They have done an admirable job. And as I've said before, the Armed Forces will need to institutionalize and retain these non-traditional capabilities—something the ROTC cadets in this audience can anticipate.

> But it is no replacement for the real thing—civilian involvement and expertise.
>
> What is clear to me is that there is a need for a dramatic increase in spending on the civilian instruments of national security—diplomacy, strategic communications, foreign assistance, civic action, and economic reconstruction and development."[44]

The comments by Gates were a statement of fact, a lamentation, a recommendation, and, whether intended or not, a threat that DoD would have to do the job of stabilization itself if civilian agencies lacked the resources, capacity, or will to do so.

The lead role of DoD in Iraq and its increasing role in stabilization operations—postconflict work, development, and nation building—undoubtedly helped spur the Department of State to create a rapid response capacity of its own to permit it to do much of the same things in postconflict situations: to provide relief, reconstruction, and help rebuild national institutions. In August 2004 the Department of State announced the creation of a Coordinator for Reconstruction and Stabilization (S/CRS). A number of reports by think tanks and others had earlier urged the creation of such a capacity in State. The mission of S/CRS as proposed is "to lead, coordinate and institutionalize U.S. Government civilian capacity to prevent or prepare for post-conflict situations, and to help stabilize and reconstruct societies in transition from conflict or civil strife, so they can reach a sustainable path toward peace, democracy and a market economy."[45] This new office would have a staff of more than thirty full-time experts with the hope of adding another fifty-seven (with nineteen of them full time) in 2008.[46] It will create a cadre of some 100 experts to be on stand-by as "first responders" in case of need abroad; and it would have a $100-million-a-year contingency Conflict Response Fund to use in case of need.

However, S/CRS has been slow to get up and running because of resistance inside the Department of State and skepticism in Congress. Congress was particularly dubious of a program based on contingencies—it rarely likes to appropriate monies for contingencies—and did not approve any funding, though DoD was permitted to transfer $100 million to the

Department of State to support S/CRS. But the new office has yet to live up to its potential.

The DoD initiatives listed above point to a much greater involvement on the part of the U.S. military in providing economic assistance. This function is not new to DoD. Since the Eisenhower administration, there have been "civic action" programs in various parts of the world—for example, Latin America, where the U.S. military helped local militaries assist development of countries there by building infrastructure. However, civic action programs got a bad name during the Vietnam war and were much reduced.[47] The need on the part of combatant commanders for resources to fund immediate reconstruction where U.S. troops are operating in highly insecure environments, like Iraq, is understandable. However, fighting terrorism provides a new rationale and impetus for the U.S. military providing economic assistance in noncombat zones.

But this mission creep (or mission leap) raises basic questions about whether it is sensible or effective for the military to provide aid in support of long-term development. One former military officer observed that "military culture is antithetical to the culture that's needed for long-term development. Development of civil society is about ambiguities, gray areas, embracing debate and consensus and questioning authority. . . . Those are not the things a military does well."[48] Further, DoD lacks the programming processes and professional staff to manage an effective development aid program. A school building project or a well provided to villages may be a nice public relations move, but it does little to contribute to a region's or country's overall development and is often abandoned and forgotten unless part of a broader development strategy, implemented over the long term and "owned" by the intended beneficiaries.

DoD's entry into the long-term development field has also raised concerns among development specialists inside and outside the U.S. government. They fear that U.S. economic assistance may be perceived abroad as becoming militarized, which could prove dangerous for those delivering it and lead to its rejection by its intended beneficiaries. And it adds yet another potentially major player in the already cluttered policy and organizational landscape of aid giving within the U.S. government. Despite these hesitations, the trend of DoD's engaging in aid giving seems to be progressing inexorably, implicit in its role in responding to terrorist threats.

Summing Up

The changes in U.S. foreign aid during the Bush administration—above all the increases in aid, the creation of two important new agencies (MCC, PEPFAR), the expansion of DoD's role as a development actor, and the partial integration of USAID and State—are of major significance. Taken together, they have begun to transform the face of American assistance. But they also raise two sets of problems. First, in each case, the idea behind the initiatives was worthy, but the implementation was flawed. The worst case of this is the F process reforms, which were implemented so poorly that they caused considerable disruption and demoralization within USAID and growing criticism from Congress and outside groups. Many of the reforms have been halted or abandoned since the departure of Tobias.

The MCC, despite the Bush administration's commitments that it would produce much more effective aid programs in a few years, has been slow to get up and running and has yet to realize its promise. As a result, Congress has refused to appropriate the full amounts requested by the administration and has become increasingly critical of its operations. PEPFAR has made an excellent start on realizing its promise, but the very size of its aid and its narrow focus on fighting one disease have raised questions about its impact on development overall in recipient countries and whether its programs are sustainable—especially compelling in this case because human lives depend on its funding.

Finally, and perhaps most problematical, is the rise of the Department of Defense in the aid-giving business. What will be the extent and limitations on its activities in this area? These questions have yet to be answered, even by DoD. The obvious pattern here is one of good ideas but limited or flawed implementation—a pattern not uncommon in other policies of the Bush administration.

But in addition to the complications involving each of these initiatives, they raise one more question: how do they fit together? The truth is that they do not. The rhetoric of elevating development—which is a multifaceted undertaking—seems inconsistent with the reality of putting an enormous volume of aid into addressing one element of that undertaking, health and HIV/AIDS in particular. Defense's increasing role could challenge the professionalism and impact of the overall U.S. development effort. The endeavor to impart greater coherence to all development aid through the F process reforms has failed, and together with the creation of the MCC and PEPFAR and the Defense efforts, these reforms have left U.S. aid more fragmented and less coherent than ever. Underlying this basic problem is that these programs were conceived separately with little common planning and absent an overall vision of how the United States could elevate development in U.S. foreign policy and support it effectively abroad. In short, the administration made a good start on producing a transformation in foreign aid and, at the same time, has also exacerbated the chaos in U.S. aid-giving.