

Hill, Aid Groups: One Opaque System Replaced Another

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Shortly after Secretary of State Condoleezza Rice took office in 2005, she was surprised to discover that her staff could not answer a simple query: How much does the United States spend each year on promoting democracy overseas?

The numbers were buried in a confusing array of 23 overlapping programs, many with budgets controlled by different officials and agencies. The State Department sent cables to embassies around the world seeking information. Every embassy had its own standards -- one suggested that road-building should count as democracy promotion because roads help people get to the polls -- so months of follow-up questions were required. After nine months, Rice finally got her answer: \$1.2 billion.

Rice responded to the disarray by handpicking corporate veteran Randall L. Tobias to manage a sweeping overhaul of U.S. foreign assistance. Tobias abruptly resigned this April after he admitted receiving massages from women linked to an alleged prostitution ring -- but not before he created a new system that aims to reshuffle billions of dollars in aid to better reflect the administration's priorities.

The result is a clearer picture of where U.S. assistance is going, but also a backlash from Congress and aid groups that contend that one opaque system has replaced another, with a small group of people deciding how aid dollars are divvied up, what countries they reach and who controls them.

Rice's foreign aid approach "sadly bears the hallmarks of our failed early assistance efforts in Iraq, where ideology and political connections trumped professionalism," charged Pam Pearson, a foreign service officer who had worked for Tobias, in a cable she sent to top State Department officials last fall.

The fight over U.S. foreign aid has been largely hidden from the public, but it is likely to emerge Tuesday, when the Senate holds confirmation hearings for Henrietta H. Fore, the undersecretary of state for management and the nominee to replace Tobias as the deputy secretary of state for foreign assistance.

The bulk of the \$23 billion in annual U.S. foreign aid goes to a handful of key countries, leaving about 120 nations to battle over \$3 billion of the pie. India, for example, is one of the big losers in Rice's foreign aid revolution. All U.S. aid to assist India in education, women's rights, democracy and sanitation is terminated under the new system. Overall aid to India -- where 80 percent of the population lives on less than \$2 a day -- would be cut 35 percent in 2008, to \$81 million, on the theory that India has one of the best-performing economies in the world.

One promising U.S.-funded program in India is QUEST, a partnership with tech firms such as Microsoft and Lucent aimed at teaching critical skills in Indian classrooms. With Washington promising about \$2 million a year, QUEST expanded from 200 to 2,000 schools in one year. But without a continued U.S. contribution, the initiative probably will not survive, said Aakash Sethi, the program's executive director, in a telephone interview from his office in Bangalore. He said he is mystified by the administration's plan to cut its funding. "This is their baby," he said.

Under a detailed grid that Tobias developed, India is labeled a "transforming" country, in contrast to Pakistan and Bangladesh, which are labeled "developing" countries. As a result, India's slice of aid was cut.

"India is now taking a different place on the global stage, in terms of diplomacy, politics and economy," said State Department spokesman Sean McCormack. "Aid programs had not caught up with these evolving realities."

Assistance to countries such as Nepal, Congo and the Philippines was also cut, while democracy programs were reduced in Eastern Europe and Russia. Meanwhile, huge sums were devoted to administration priorities in Iraq, Afghanistan and Pakistan. Iraq's aid was boosted fivefold for 2008, while Afghanistan and Pakistan together will receive more than 85 percent of the \$2.2 billion aid budget for 12 countries in South and Central Asia. (House lawmakers later rejected the Iraq aid, however.)

The tensions over the new approach were exacerbated by Rice's choice of Tobias -- whom one lawmaker accused of "tycoonitis" for disregarding Congress -- for a new post overseeing virtually all foreign aid controlled by the State Department. Tobias had previously overhauled U.S. assistance to combat AIDS worldwide, and Rice wanted him to bring the same sensibility to remaking the full aid budget.

Tobias, who declined several requests for an interview, wanted to bring rationality to a system that he thought lacked strategy and accountability, insiders said. Aid work traditionally was assessed by State Department officials using as many as 11,000 standards, or "indicators," and almost everyone interpreted them differently. Tobias and his staff whittled them down to 500.

Under Tobias's plan, foreign aid should meet corporate standards for measuring inputs, outputs and efficiency. According to his grid, every country receiving aid is placed into one of five categories -- such as "transforming countries" or "rebuilding countries"-- and every aid program has to help meet one of five objectives, such as building "peace and security" or "governing justly and democratically." Rice added "reducing widespread poverty" after nongovernmental groups protested.

"It shows how reducing poverty was not front and center in their minds," said Steve Radelet, senior fellow at the Center for Global Development.

Some congressional officials believe that, for all their corporate trappings, Rice and Tobias's changes are little more than a power grab. Long-term development aid often directed by Congress was cut by almost \$500 million, or 31 percent, in fiscal year 2008, while "economic support" accounts focused on short-term geopolitical aims and subject to greater administration control were boosted \$865 million, or 35 percent. "These shifts are designed to give ambassadors more flexibility," McCormack said.

The House, however, balked at such a shift and returned \$365 million to the development assistance accounts in the State Department appropriations bill passed in June.

"They alienated and angered a lot of people," said Tim Reiser, Democratic staff director of the Senate Appropriations panel that handles foreign aid. "The Congress is going to approach this with a healthy degree of skepticism."

State Department officials say the criticism is unfounded. Rice ordered the changes when the 2008 budget process was already two-thirds completed, forcing Tobias and his team to act quickly. Officials say that he and his staff held more than 100 meetings with nongovernmental

groups and conducted 30 congressional briefings -- and that few process objections emerged until the budget was unveiled.

"In the old days, foreign assistance monies were controlled by different officials. It was stovepiped," McCormack said. "Some of these complaints you are hearing are from people who had pots of money who have seen their power diminished."

However, many critics say advice from the field has been all but ignored. Rice personally approved the country-by-country budget numbers, meeting weekly with Tobias and keeping a close eye on his work, officials said.

"The new paradigm places a strong premium on centralized, Washington decision-making," added Pearson, who resigned from the foreign service after sending her cable. "It features political control of programs from headquarters, rather than trusting the field's development professionals."

In a May meeting with aid groups, State Department officials acknowledged mistakes in producing the budget, including little communication with experts in the field, according to a memo provided to The Washington Post by InterAction, an umbrella organization for aid groups. The memo quoted State Department officials as saying that Rice will still set strategy but that overseas missions will now have "explicit opportunities" to offer advice. Before resigning, Tobias endured uncomfortable congressional hearings in which lawmakers criticized his changes.

"Your task was to reshape -- carefully, delicately -- and to bring order to our country's tangled thicket of assistance efforts overseas," Rep. Tom Lantos (D-Calif.), chairman of the House Foreign Affairs Committee, lectured Tobias. "Instead, it appears to many members of this committee, you took to it with a weed whacker, and the results are predictably unfortunate. . . . A process that begged for transparency was instead undertaken behind closed doors under cover of darkness at Foggy Bottom."