CENTER FOR GLOBAL DEVELOPMENT **ESSAY**

The Clash of the Counter-bureaucracy and Development

By Andrew Natsios

July 2010

www.cgdev.org/content/publications/detail/1424271

ABSTRACT

One of the little understood, but most powerful and disruptive tensions in established aid agencies lies in the clash between the compliance side of aid programs—the counter-bureaucracy—and the technical, programmatic side. The essential balance between these two in development programs has now been skewed to such a degree in the U.S. aid system (and in the World Bank as well) that the imbalance threatens program integrity. The counter-bureaucracy ignores a central principle of development theory—that those development programs that are most precisely and easily measured are the least transformational, and those programs that are most transformational are the least measurable. Relieving the tension between the counter-bureaucracy and development practice would require implementing new measurement systems, conducting more research on overregulation and its effects, reducing the layers of oversight and regulation, and aligning programmatic goals with organizational incentives.

The Center for Global Development is an independent, nonprofit policy research organization that is dedicated to reducing global poverty and inequality and to making globalization work for the poor. CGD is grateful for contributions from the William and Flora Hewlett Foundation and the Australian Agency for International Development in support of this work. This essay will appear as chapters 3, 4, and 5 of a forthcoming book by Andrew Natsios

page intentionally blank

Foreword

As anyone who knows Andrew Natsios will note, he is not one to pull punches; in this essay he lays bare his views of what's not working in USAID. He laments the layers upon layers of bureaucracy—the so-called counter-bureaucracy—that, he says, forces compliance with bureaucratic procedures and evaluations to the detriment programmatic work. You may agree or disagree, but what Andrew's first-hand account of the challenges facing USAID makes clear is that bureaucratic complexities, unclear leadership, and misaligned incentives make for inefficient development work.

His essay is especially relevant now. President Obama's new national security strategy puts global development policy squarely in our national security and economic interests alongside diplomacy and defense. But who is ultimately in charge of U.S. global development policy is still unclear as we await two major development policy reviews: the Presidential Study Directive on U.S. Global Development Policy and the State-USAID Quadrennial Diplomacy and Development Review. Both are intended to make sense out of our confusing array of agencies and actors involved in U.S. global development policy; both are being delayed the very bureaucratic turf issues they are intended to resolve.

In practical terms, elevating development alongside defense means providing the USAID administrator decision-making autonomy over policies, programs, and budgets. As Andrew points out, previous steps giving the State Department's Office of the Director of Foreign Assistance oversight over development policy made matters worse for USAID. The fact that two major new Obama administration initiatives for food security and global health are housed at the State Department suggest this trend is continuing. It seems the clash between bureaucracy and development continues.

Andrew's essay strengthens my resolve that a results-based, more hands-off approach to development—such as my Cash on Delivery Aid proposal—would help cut through the clutter of traditional foreign assistance. Measure results, not inputs; worry more about development and less about procedures; let recipient countries build strategies to meet shared goals; and let development practitioners do what they do best.

Nancy Birdsall
President
Center for Global Development

page intentionally blank

Gentlemen,

Whilst marching from Portugal to a position which commands the approach to Madrid and the French forces, my officers have been diligently complying with your requests which have been sent by His Majesty's ship from London to Lisbon and thence by dispatch to our headquarters.

We have enumerated our saddles, bridles, tents and tent poles, and all manner of sundry items for which His Majesty's Government holds me accountable. I have dispatched reports on the character, wit and spleen of every officer. Each item and every farthing has been accounted for with two regrettable exceptions for which I beg your indulgence.

Unfortunately the sum of one shilling and ninepence remains unaccounted for in one infantry battalion's petty cash and there has been a hideous confusion as to the number of jars of raspberry jam issued to one cavalry regiment during a sandstorm in western Spain. This reprehensible carelessness may be related to the pressure of circumstance, since we are at war with France, a fact which may come as a bit of a surprise to you gentlemen in Whitehall.

This brings me to my present purpose, which is to request elucidation of my instructions from His Majesty's Government so that I may better understand why I am dragging an army over these barren plains. I construe that perforce it must be one of two alternative duties, as given below. I shall pursue either with the best of my ability, but I cannot do both:

1.) To train an army of uniformed British clerks in Spain for the benefit of the accountants and copy-boys in London or, perchance…
2.) To see to it the forces of Napoleon are driven out of Spain.

Your most obedient servant,

Wellington

—Attributed to the Duke of Wellington, during the Peninsular Campaign, in a message to the British Foreign Office in London, 11 August 1812.[1]

The administrative environment, the daily chores that you have to handle as an AID officer in the field,…the time spent on things like preparing for audit, tracking project financial flows, designing follow-on projects, mediating conflicts with contractors, all those time-consuming tasks that you always have to deal with are still there.…

When I was on that assignment the Africa Bureau in 1988/89, I went around to bureau staff who had just recently returned from the field and asked them about how they generally spent their week working in a mission: Roughly how much time did they spend on handling legislative requirements? On financial accountability? How much time did they spend with their counterparts ironing out problems with contractors, with miscommunication, with misunderstandings, with project equipment held up in customs, and the like? Roughly how much time did they spend with their counterparts working on substantive issues about the program like site visits or designing and participating in an evaluation or sharing ideas or exchanging information or working around political constraints?...

Of all those elements, the routine requirements took up almost 100% of people's time.

—Nena Vreeland, in a 1998 interview about her experiences, as a USAID officer, dealing with the overabundance of U.S. government regulations. [2]

History doesn't repeat itself. But it does rhyme.

—Mark Twain

The Counter-bureaucracy

One of the little understood, but most powerful and disruptive tensions in established aid agencies lies in the clash between the compliance side of aid programs and the technical, program side. The essential balance between these two tensions in development programs—accountability and control versus good development practice—has now been skewed to such a degree in the U.S. aid system (and in the World Bank as well) that the imbalance threatens program

integrity. The regulatory pressures in Washington created a force of auditors, accountants, lawyers, procurement, and contracts officers whose job it is to make sure the aid program is managed:

(1) in accordance with federal law and regulation--principally the 450 page Foreign Assistance Act, a volume of OMB management circulars, and the 1977 pages of Federal Acquisition Regulations;
(2) to produce rapid, measureable program success tracked through quantitative performance indicators usually based on U.S. domestic models of program management or of private industry; and
(3) to follow good federal management and accounting practices as demanded by law and regulation.

The compliance officers often clash with the technical, program specialists over attempts to measure and account for everything, and avoid risk. These technical, program specialists are experts in the major sector disciplines of development: international health, agriculture, economic (both macro and micro) growth, humanitarian relief, environment, infrastructure, and education. Undertaking development work in poor countries with weak institutions involves a high degree of uncertainty and risk, and aid agencies are under constant scrutiny by policy makers and bureaucratic regulatory bodies to design systems and measures to reduce that risk. In practice, this means compromising good development practices such as local ownership, a focus on institution building, decentralized decision-making and long-term program planning horizons to assure sustainability in order to reduce risk, improve efficiency (at least as it is defined by federal administrative practice), and ensure proper record keeping and documentation for every transaction.

Slowly, almost imperceptibly, over several decades, the compliance side of U.S. government aid programs has grown at the expense of the technical, program side. This has happened as a result of three factors.

- First, the size of the career USAID staff has declined over three decades stabilizing after 9/11 (and only beginning to rise slowly again in 2005), even as spending more than doubled since 9/11.
- Second, is the emergence of what Georgetown professor, William Gormley, has called the ~~"c~~ounter-bureaucracy"—a set of U.S. government agencies charged with command and control of the federal bureaucracy through a set of budgeting, oversight, accountability and measurement systems which have grown over several decades to a massive degree with extraordinary layer upon layer of procedural and compliance requirements.
- Thirdly, the counter-bureaucracy has become infected with a very bad case of Obsessive Measurement Disorder (OMD); an intellectual dysfunction rooted in the notion that counting everything in government programs (or private industry and increasingly some foundations) will produce better policy choices and improved management.
- Fourthly, demands of the oversight committees of Congress for ever more information, more control systems, and more reports has diverted professional USAID (and now MCC staff) staff from program work to data collection and reporting requirements.

The counter-bureaucracy ignores a central principle of development theory—that those development programs that are most precisely and easily measured are the least transformational, and those programs that are most transformational are the least measurable. This brings us to a central question: what is it that USAID does

in its programs that is considered transformational? USAID's humanitarian and development work may be broadly broken into three categories: (1) the delivery of goods and services (e.g. distributing of food aid, humanitarian assistance after a disaster, doing immunizations, distributing bed nets to control malaria, building of schools and roads), often through USAID partner contractors, universities, and non-governmental organizations, (2) the building of local self-sustaining institutions—government, private sector, and non-profit—through the training of staff, the construction of business systems, and the development of regular organizational procedures and institutional cultures, and (3) policy dialogue and reform, which means an ongoing discussion and debate about reform and policy changes, between development professionals in USAID missions, in the field, and cabinet ministers, heads of state, local NGOs and civil society leaders, parliamentarians, and business leaders.

The first of these missions--service delivery--includes outcomes that can be counted and seen and which are under the control of the USAID program implementers, while the latter two missions often are neither easily measured nor very visible, and often requirement a long time horizon to achieve success, and more importantly they require the cooperation and consent of the power structure and leadership in the developing countries which makes their outcomes more problematic and unpredictable. (A USAID-funded NGO can do a mass immunization of children successfully, while providing funding, training, and equipment to a local health ministry to do the same thing will usually have a more problematic outcome). For that reason, those latter two functions are increasingly underfunded and neglected. And yet, it is those latter two missions that are most important in the long run, as they are more transformational and more central to what development—and state building—is all about.

The counter-bureaucracy, dominated by civil servants trained in schools of public administration and business management, tends to employ the measurements and program standards of U.S. domestic government agencies, foundations, and private industry and misapplies them to development programs in poor countries. Nothing could be further from good development theory and practice. When the Federal Highway Administration funds and oversees a highway building project it uses the managerial standards of domestic transportation departments to judge whether the project was managed properly. When GM or Ford builds a car they use assembly line processes developed over the past century. The purpose of these efforts is the building of a highway or assembly of a car.

Development, on the other hand, is at its root an effort to build or strengthen institutions (public, private profit-making, and non-profit civil society) in poor and fragile states, with the ultimate goal of developing a capable state, market economy, and civil society that can manage public services, design good policies, create jobs, and protect human rights and the rule of law on a reliable, sustainable basis after the aid program is over and funding ends. All construction or service delivery projects should be subordinate to the larger institution-building task. The counter-bureaucracy, with its elaborate control mechanisms, misunderstands this central development doctrine and thus misapplies a domestic management lens to aid programs by turning the means into an end.[3]

The demands of the counter-bureaucracy are now so intrusive that they have distorted, misdirected, and disfigured USAID‘s development practice to such a degree that it is compromising U.S. national security objectives and challenging established principles of good development practice. This regulatory apparatus has created an incentive structure that has led to an emphasis on process over program

substance and, in so doing, has produced a perverse bureaucratic result; as the career staff has declined in size absolutely and proportionately to the size of the aid budget, the compliance side of aid has taken over management and decision-making at the Agency. When the Agency does not comply with the commands of the counter-bureaucracy, it faces stiff penalties, while there is no legal or regulatory consequence if Agency staff do not regularly interact with government officials, civil society organizations, and the business people in developing countries about political, economic, and social policy reform—i.e. the central practices of development work.

Today, the newest addition to the counter-bureaucracy—the State Department's Office of the Director of Foreign Assistance—is making matters worse, creating an even more dysfunctional set of incentives which are compromising the integrity of aid programs by the demand for metrics for every program and through the laborious and time consuming annual process of each USAID mission writing an Annual Operating Plan. The question remains whether under sustained pressure from the counter-bureaucracy and the Congress, USAID is now spending as much money on oversight and control as the implementation of the aid program itself. What is more the staff time needed to comply with all of these paperwork requirements has crowded out any remaining available time for the actual implementation of programs in the field offices. A point can be reached when compliance becomes counter-productive. I believe we are well passed that point.

What happened, why this happened, and how it happened is a disturbing, but also fascinating, story of good intentions—accountability and transparency—gone bad. The consequences of these counter-bureaucratic trends explain a great deal about why USAID business systems are designed as they are. But, before we get to that

story of compliance and bureaucracy –gone bad," we need a framework for our analysis. The source for that framework comes from the work of political scientist and scholar on public administration practice in U.S. state and national governments—and my former professor—James Q. Wilson.

Why the Counter-bureaucracy and Development Clash: The Centrality of Institutions and Policy Reform

I took James Q. Wilson's course on *Bureaucracy* in 1980 (later to become his book, published in 1989), while earning my Masters in Public Administration at Harvard University's John F. Kennedy School. His ground-breaking work on public administration and the reality of bureaucratic decision making and management has significantly informed my analysis of the functioning of federal and state government. The 23 years I have spent working in federal and state government has only served to reinforce my view that Wilson's analysis most accurately reflects the realities of federal and state public management. Wilson's work is critical to understanding how the complex regulatory apparatus affects good development practice today and is the analytical framework for this paper.

The counter-bureaucracy has created one common template for controlling the federal system by applying common management standards and metrics to all agencies. But are all public agencies the same; do they all run the same sort of programs? Wilson, in *Bureaucracy*, argues they are not and suggests that there are four kinds of federal departments:

- **Procedural organization** - When managers can observe what their subordinates are doing, but not the outcome (if any) that results from those

efforts. The Occupational Safety and Health Administration (OSHA) is an excellent example of a procedural organization.[4]

- **Craft organizations** – consists of operators (i.e. federal employees) whose activities are hard to observe but whose outcomes are relatively easy to evaluate. The Defense Department or Army Corps of Engineers are good examples of craft organizations.[5]
- **Coping organizations** – agencies that cannot observe either the outputs or outcomes of their key operators. A police department, school systems, and the State Department are examples of coping organizations.[6]
- **Production agency** – agencies that have observable outputs and routinized work processes, laws and regulations. The Social Security Administration is an example of a production agency.[7]

Since its creation, USAID has been a hybrid of a craft and coping organization, depending on the sector. The reforms beginning in the 1990's have tried to turn it into a production agency, so that its inputs, outputs, and outcomes could be observed and measured. The emergency humanitarian program model of the Office of Foreign Disaster Assistance and Food for Peace, and in International Health Programs, the USAID Family Planning Program, and the PEPFAR HIV/AIDS program (among others), and, more recently, the Bush Malaria initiative all fall under the craft model. Their central focus is on saving lives or reducing fertility rates, which are relatively easily measured by mortality, infection, or birth rates. For example, in a humanitarian emergency if the death rate exceeds one person per 10,000 people per day, we regard it as a crisis requiring action. President Bush's malaria initiative has substantially reduced the incidence of malaria in the targeted countries.

Wilson warns that managers of production agencies face one of several risks. He writes, ―A problem that confronts the managers of all production agencies is that by plan or inadvertence they may give most of their attention to more easily measured outcomes at the expense of those less easily observed or counted."[8] Wilson's insight precisely reflects what has gradually happened to USAID.

Development officers focus on what they can measure because the counter-bureaucracy demands it. In practice this means more funding for those development sectors in the hard sciences, such as public health and medicine, and less to the soft sciences such as democracy and governance programs, the foundation of which is political science, the ―softest" of the social sciences. The soft sciences are less visible, harder to measure, and much slower to demonstrate success than the hard sciences.[9] It is also the case that effective democracy and governance programs and economic reforms programs threaten powerful elite interests and thus are controversial in poor countries, while health programs do not and are not (at least not to the same degree).

I suspect that, for this reason, among others, public health programs have become the favorite and most dominant sector of most bilateral aid agencies in the U.S., Canada, and Europe. In the U.S., funding for health (which includes all USAID and State Department Programs) comprised approximately 6% of the foreign aid budget in FY1995, and has increased to nearly 30% in FY2008.[10]

Foreign assistance programs (not only in the US aid program but among other donors as well) have moved more and more towards public health programs mainly because public health outcomes are more easily and accurately measured than nearly any other program, other than disaster assistance, and have great

political appeal to the media, public, parliaments, and congresses. A health program either makes a sick child better, or it does not. Child and maternal mortality rates increase, decline, or stay the same. Even more powerful, there is no organized support for sickness, disease or death in donor countries, so there is no interest group opposition to funding programs designed to reduce child and maternal mortality rates.[11]

Other development sectors which are more important to the transformation of countries, such as agriculture, face strong domestic opposition from environmental groups (which do not like modern agricultural practices such as irrigation, GMO seed, chemical fertilizer, and pesticides) and domestic farm lobbies, which oppose agricultural development programs abroad for parochial or ideological reasons. Another example are rule of law and good governance programs, which are much more difficult to observe or measure (particularly over the short term), and are therefore chronically under-funded at USAID, even though development theory almost universally describes rule of law and good governance as the most important factors in development (moreover, we now have empirical evidence that these programs do produce results, as we shall see below). In Fiscal Year (FY) 2009,[12] only 8% of the foreign assistance budget was directed towards the rule of law and good governance—referred to as "Governing Justly and Democratically" (GJD) in Washington-speak. Moreover, when Afghanistan and Iraq—two budgetary and foreign assistance anomalies—are removed from the equation, only 4% of the foreign assistance budget is allocated for governance programs, even more indicative of Washington's misdirected priorities.[13]

Even within health programs, institution building is more difficult to measure and takes a long time to produce quantitative results and is increasingly underfunded.

One of the most successful development programs in Afghanistan since 2002 has been the effort to construct a public health system for the country through the building of a chain of health clinics to provide basic health service across the country, which USAID (with the World Bank and EU aid program) invested heavily in. I asked the USAID career health staff as we designed the program in late 2001 how long it would take before the program would show measureable results; they replied, to my disappointment (we were under heavy pressure to produce quick results), at least six or seven years, which it did do just as they predicted. In 2008, the under-five child mortality rate had declined by 26%, since the fall of the Taliban.[14]

The time horizon for measurement is also a problem: institution building programs can not prove they are sustainable until after the aid program has ended and funding cut off. Programs that promote democracy and good governance illustrate that point. In 2005, while I was USAID Administrator, Jerry Hyman, Director of the Office Democracy and Governance (DG), proposed that we commission a comprehensive retrospective study of twenty years of USAID DG programming to determine its effectiveness. Vanderbilt University and the University of Pittsburgh, (and in later stages with the National Academy of Sciences), conducted the study to determine the relationship between billions of dollars of USAID Democracy and Governance expenditures and the condition of democratic governance, using comprehensive program data collected between 1985 and 2005.

Using the most widely used indicators for democracy, Freedom House and Polity IV, the authors found that ~~–U~~USAID democracy and governance (DG) obligations have a significant positive impact on democracy, while all other U.S. and non-U.S. assistance variables are statistically insignificant."[15] These findings occurred,

according to the research, over and above the ~~"n~~ormal" pattern of democratization dynamics of the country. It is interesting to note that the study found that there were significant ~~"l~~agged effects" for DG obligations, meaning that democracy and governance programs often take several years to ~~"m~~ature" and show results after funding has ended. Moreover, they found that the effects of DG assistance to some degree are cumulative, with ~~"th~~e immediate impact augmented by an additional increment on the country's level of democracy the following year."[16] This suggests that trying to measure results while the program is going on may not be particularly useful since those results often show up after the program has been completed—what I would call a time lag affect.

Essentially, measurability should not be confused with development significance. One example of this tension took place during the two Afghan Loya Jurga's, the national constitutional conventions, to write the Afghan constitution. USAID, through its partner the Asia Foundation, provided the organization, logistics, and management systems needed for the conventions to take place with 62 expatriate staff people that the Foundation hired. They also recruited two respected constitutional scholars—one from Australia and the other from Kenya (so the constitution would not be seen as an American invention—an accusation made of the current Iraq constitution)—to act as advisors to the Afghan convention leaders, in order to present alternative ways used in other countries for dealing with various legal and constitutional issues.

How could we quantify the results of this program? Is a constitution irrelevant to the development process of a poor country? Perhaps the most important period in the history of the American Republic took place in Philadelphia in the summer of 1787 where the U.S. constitution was written. How could one quantify the results

of the Federal Convention of 1787? Its length? The extraordinary results of the convention did not become immediately apparent; in fact parts of the U.S. Constitution were a matter of great controversy for another century, but virtually no study of American history would argue it was of peripheral importance in American history.

Another example of the difficulty of measuring transformational development projects may be found in the work of the legendary Peruvian economist Hernando de Soto, whose books, *The Other Path* and the *Mystery of Capital*, look at the informal sector and property rights for poor people in developing country economies. USAID has been by far the most generous donor to his work: from 1982-2002 more than 90% of his research center's budget came from USAID funding. His work has caused a global revolution in thinking about the formal and informal sectors in poor countries. A UN Commission has been formed, chaired by Madeline Albright, on property rights for the poor based on his research. De Soto has stimulated debates across the developing world on how the informal sector can be formalized to give the poor more equity in their homes and businesses. USAID's support for Hernando de Soto's work (which continues because of a Congressional earmark supporting his center) had been part of a long term agency strategy of supporting dozens of local think tanks doing critical research on development issues, support which is declining because these research centers have difficulty producing measureable outcomes. DeSoto's institute has begun and sustained over 25 years a needed debate over how property rights affect poor people and economic growth. How do you quantify a debate over the quality of ideas? How do you measure the impact of research? It is certainly the case that some of DeSoto's most powerful findings when field impact evaluations has been

done on them, do not appear to have all of the the affects he predicts, but have had other salutary affects which have been unanticipated.

Perhaps the most powerful and transformational program run by USAID in its history were its scholarship programs. In the 1980‘s 17,000-18,000 scholarships were granted to government officials and in civil society to build the institutions of developing countries. Universally, USAID officers have repeatedly told this was the most successful category of program the agency ran. Agency evaluations confirm this. Today under 1000 scholarships are awarded a year, because under heavy pressure over years as the counter-bureaucracy has demanded more controls, more oversight, and more outcome measurements over the scholarship program, numbers which can not the program can not produce in any short time line.

Now that we have established a framework for understanding the counter-bureaucracy, it is important to try and understand how this complex system—in which the compliance mechanisms at USAID have come to dominate the development practice—was created in the first place. As I mentioned earlier, this is a painful story of good intentions gone bad. It has many characters and personalities, spans several Presidential administrations, and entails multiple well-intentioned, yet ultimately misdirected, reforms. The early part of this story begins with the most colorful figure in driving USAID towards the compliance demands of aid programming—Herb Beckington.

> *I am the Inspector General of an agency responsible for the management and accountability of billions of dollars of U.S. taxpayers resources annually in what arguably is the most vulnerable environment conducive to fraud, waste, abuse and mismanagement that routinely confronts any Federal agency—the Third World.*[17]
>
> —Statement by Herbert Beckington, USAID's Inspector General, before the Senate Committee on Government Affairs. May 20, 1992.

Herbert Beckington and the Politics of Accountability

No single individual in the past 25 years has more embodied the clash between compliance and good development theory and practice than Major General Herbert Beckington, USAID's Inspector General from 1977 to 1994. Beckington was a 32-year veteran of the Marine Corps, valedictorian from Catholic University's Law School, and a World War II veteran who served in Tinian and Saipan in the Pacific and in China. In Vietnam, Beckington commanded the 7th Marine Regiment of the 1st Marine Division, and after the war he served as military aide to Vice President Hubert H. Humphrey. The Marine Corps are the assault troops of the U.S. military and have a reputation for ferocity in combat, a leadership style Beckington took with him to his job at USAID. He was a powerful iconic figure in Washington, and his influence over the structure of the foreign aid program remains with USAID today, although, some of that legacy not necessarily constructive, as we shall soon see.

Known as "The General" at USAID, Beckington was both feared and despised by career officers. Once referred to by USAID employees, as "the agency's J. Edgar Hoover—suspicious, vindictive, eager to think the worst,"[18] Beckington's style and personality informed and infected the relationship between OIG and USAID. At one point, he told the Washington Post that USAID's white-collar crime rate

was ~~h~~igher than that of downtown Detroit."[19] On another occasion, his deputy initiated a training session for new OIG Deputy Directors of overseas missions with the announcement that ~~w~~e know you are all crooks. We want you to know we are going to expose you."[20]

Beckington launched a rash of ~~b~~lanket fishing expedition-type audits" on USAID development projects, attacking them, not for the quality of the development work performed, but for their lack of compliance with the rigid rules of the regulatory apparatus.[21] According to one Senior Foreign Service Officer, ~~t~~ypically, the IG would issue an audit report which highlighted _Waste, Fraud, and Mismanagement' by USAID and the host government, citing missed deadlines, slow implementation, and incomplete projects," which, over the years, ~~c~~reated a general sense within the USG…that USAID was not managing its programs well and that foreign aid resources were being wasted."[22]

Beckington and his OIG staff ignored the fundamental realities of implementing development projects, which is a slow and difficult process. In fact aid programs which finish on schedule, with all of the paper work in place, and no implementation problems usually means good development principles of local ownership, long term institutional sustainability, and consultation have been ignored or compromised. Essentially, what Beckington's audits identified was not waste, fraud, and abuse, but the development process itself. OIG audits repeat the tired mantra of missed deadlines, time delays, and inadequate paperwork which are a function of the weak or non-existent institutions in poor countries (or sometimes of unrealistic deadlines set by the State Department for diplomatic reasons or the Defense Department for combat purposes), not poor management or waste and abuse. If poor countries were organizationally capable of managing these projects

themselves using western technocratic standards in which projects finished on time, they would have no need for development assistance. For programs to be locally owned (a central principle of good development theory and practice) and sustainable over the long term, they must involve long processes of negotiation and interaction between aid officers and the people in the country in which the aid program is being run. If local people are managing aid funds or at least participating in program design and management, this means inevitably there will be long delays, changes in project design, and problems with federal regulatory demands (even if the program has no corruption problems).

Eventually, the relationship between Beckington and the Agency became so bad that Senator John Glenn, the Chairman of the Senate Committee on Government Affairs, wrote, in a letter to Beckington in 1992, that ~~–it~~ is an unavoidable conclusion . . . that something is fundamentally wrong with the existing relationship between the IG and the agency."[23] Over the course of nearly two decades, Beckington's constant, often personal, assaults on USAID seriously damaged staff morale and the quality of its development work. In a seminal moment in this clash between the OIG and USAID, photographs were published of two senior officers who had been accused of some transgression, being taken away in handcuffs by the IG investigators for prosecution, a scene which sent a broad chill through the career staff and, more than any other single event, forced a redirection of aid practice towards compliance.

I watched the Beckington assaults on the Agency with considerable misgivings while serving as the Director of the Office of Foreign Disaster Assistance and then Assistant Administrator of the Bureau for Humanitarian Response, between 1989 and 1992, because much of our work was performed in civil wars and failed states

where accountability for taxpayer funds was difficult. Still, much to my surprise, we never encountered problems or harassment from him or his agency. I often wondered why Beckington exempted the Bureau for Humanitarian Response from the kind of attacks he launched against USAID's longer-term development programs. I later realized that it had much to do with the popularity of the humanitarian relief programs; they were life saving, rapid-moving, and visible programs with measurable results. On the other hand, attacks on development programs were much easier. Development programs are complex, take years to implement and show results, and sometimes fail.

Development programs were then and are now, little understood in Washington and have seldom enjoyed the public support that humanitarian emergency (and health) programs have. That misunderstanding has played an important role in how the OIG has regulated development work, and how the compliance side of USAID has grown to overwhelm the work of the development technicians and experts. At times this compliance imbalance has been mitigated by the concerted efforts of individuals to work around the complexities, challenges, and detrimental effects of the compliance system. For example, the two men who served as the USAID IG's while I was Administrator—Everett Mosley and Bruce Crandlemire—did their best to manage the U.S. government's regulatory morass in more constructive directions, and we had a productive working relationship and did get some important initiatives completed such as the new financial management system—though, in the end, the inherent problems of the compliance system were too hard to completely overcome. And, unfortunately, the inherent and destructive incentives built into the system are only intensifying, becoming more and more difficult to mitigate, and are having an increasingly damaging effect on good development work. To a large extent, Herbert Beckington came to embody that

reality. Still, he and the OIG only represent a small part of the broader, negative trends in the U.S. government's compliance apparatus.

Bureaucracies and Counter-Bureaucracies

The federal OIG system is only part of a larger counter-bureaucratic culture, which successive Presidents of both parties and Congress created to limit theoretically the growth of the federal government and improve its management. In practice, however, this system has evolved over several decades into a behemoth of bureaucracies called the "counter-bureaucracy"—which is a relatively durable government agency whose principal mission is to monitor, criticize, and improve the performance of other government agencies.…Counter-bureaucracies were created as a response to bureaucratic growth, bureaucratic inefficiency, and bureaucratic misconduct."[24] This counter-bureaucracy is composed of, among other things:

- the Offices of the Inspectors General (OIG);
- the Office of Management and the Budget (OMB);
- the U.S. Government Accountability Office (GAO);
- the Office of the Director of Foreign Assistance in the State Department (F);
- the Special Inspector General for Iraq Reconstruction (SIGIR) and the Special Inspector General for Afghanistan Reconstruction (SIGAR);
- a set of voluminous federal law, such as the Federal Acquisition Regulations—the infamous 1,977-page FAR—which governs all federal contracts for all federal departments, including USAID;
- DOD's regulatory control over all overhead rates for all federal contractors and grantees, including USAID,

- congressional oversight committees, and
- the 450 page Foreign Assistance Act of 1961, among many others.

All of these agencies—the OIG, OMB, and GAO—are agents of other branches of government and elected officials (GAO of the Congress, OMB of the President, OIG both of the Congress and Executive). There are several additional agencies that set government-wide standards for USAID and other federal agencies, including the General Services Administration (GSA) that controls office space, contracts, and travel policy, and the Office of Personnel Management (OPM), which controls federal personnel policy. No other aid agency, with the exception of the World Bank, comes close to having so many conflicting and competing layers of oversight. No European aid agency suffers under this level of regulatory control.

The forces at work, which created this regulatory morass, are described by James Q. Wilson in *Bureaucracy*:

> Bureaus are the agents of different and divided masters, and so their daily operation reflects the ongoing tensions between the White House and Capitol Hill. The resources each master has devised to enhance influence over the bureaucracy have grown since FDR's time, but every advance in the power of the president has been matched by a comparable advance in Congress. Senator Daniel Moynihan has called this the "Iron Law of Emulation:' "Whenever any branch of government acquires a new technique (*of control over the bureaucracy)* which enhances its power in relation to the other branches, that technique will soon be adopted by the other branches as

> well…Caught in the middle, the bureaucracy watches all this with fear and loathing. It is one thing to serve two masters; it is another thing to serve masters who themselves have become vast bureaucratic organizations with their own cultures and maintenance needs."[25]

Wilson wrote this in 1989 before the massive expansion of the counter-bureaucracy over the past two decades—so that USAID now has a half dozen masters—which I shall shortly describe.

All federal agencies, including USAID and other agencies that have their own foreign aid programs, are a product (or, as one could argue, a stepchild) of the successive layering of accountability and management offices and systems demanded by the various counter-bureaucracies—oversight which has long enjoyed Congressional and Presidential support and encouragement. Each time an audit or evaluation showed a failure or a weakness more systems are put in place the USAID to ensure this did not happen again in the future. Why and how this system has evolved is a fascinating story in itself, but how it has driven USAID and its business model tell us a great deal about the multiple and oftentimes conflicting pressures under which aid officers operate.

The demands of the counter-bureaucracy are now so powerful that they beg the question: who or what is regulating the regulators? More importantly for our purposes, the question is whether the counter-bureaucracy has become counter-developmental. Are the demands of this system now constraining development – supposedly the third ~~"D~~" (the first two being Defense and Diplomacy) of the instruments of U.S. national power – to such a degree that it may be compromising U.S. national security? Are we creating a system where ~~"e~~very taxpayer dollar is

accounted for" that is incapable of carrying out its national security tasks? To answer those and other questions, it is important to understand how this system has evolved, and, in the process, how it has affected the practice of international development. The story begins well before Herb Beckington, with one of the most influential Secretaries of Defense in the department's history, Robert McNamara—a brilliant, arrogant, and ultimately tragic figure—who brought a corporate management style to Washington.

How We Got Here: Robert McNamara "Manages" Washington

In 1965, McNamara applied to defense programs a management tool designed by the RAND Corporation called the Planning, Programming, and Budgeting System (PPBS). The PPBS was a "nonpolitical decision apparatus" which sought to provide an analytical basis for policy decision-making and operations.[26] If Washington's Obsessive Measurement Disorder (OMD) began to spread like an infection from any one point, it was with the adoption of this RAND-based approach to measurement-based decision-making and policy analysis. McNamara's use of the PPBS at the Pentagon soon "shifted the focus on decision-making from inputs to outputs."[27] In essence, McNamara had taken the management concepts from his experiences at the Ford Motor Company, where he worked in a variety of positions for 15 years, eventually becoming president in 1960, and applied them to his management of the Department of Defense using the RAND approach.

The corporate approach to management McNamara brought to the Defense Department was most strikingly manifested in the way he managed the Vietnam War. McNamara and his "Whiz Kids' attempted to quantify the outputs of the U.S. military in the Vietnam War in kill ratios—deaths of the enemy--for various

weapons systems and military operations. The McNamara measurement edifice came tumbling down, however, as U.S. casualty rates in Vietnam rose and the war dragged on against a poor, technologically backward Communist enemy, who had no performance-based measurement systems and yet ultimately triumphed in the war.

In his iconic autobiography, *My American Journey*, Colin Powell recalls his experience with the McNamara quantitative measurement system while serving in Vietnam.

> While I was in the Be Luong base camp, (Defense) Secretary McNamara had made a visit to South Vietnam. "…every quantitative measurement," he concluded after forty-eight hours there, "shows that we are winning the war." Measure it and it has meaning. Measure it and it is real. Yet, nothing I had witnessed in the A Shau Valley indicated we were beating the Viet Cong. Beating them? Most of the time we could not even find them. McNamara's slide-rule commandos had devised precise indices to measure the immeasurable…This conspiracy of illusion would reach full flower in the years ahead, as we added to the secure-hamlet nonsense, the search-and-sweep nonsense, the body-count nonsense, all of which we knew was nonsense, even as we did it.[28]

Robert McNamara would take this same approach and transform the World Bank's business system when he served as its President from 1968 to 1981. Sonja M. Amadae writes, "thus, upon his ignominious exit from DOD, McNamara immediately assumed the presidency of the World Bank, where over time the

RAND-style, objective, cost-benefit strategy of policy formation would become the universal status quo in development economics—a position it still holds today."[29] McNamara's business systems remain in place in the World Bank today (though curiously none of the senior World Bank officials I have interviewed seemed aware of this).

The McNamara management system did not just consume the World Bank; it spread to other parts of the federal government. After increasing criticism for the alleged inefficiencies and poor management of his Great Society programs, President Lyndon Johnson took McNamara's Planning, Programming and Budgeting System (PPBS) and required all executive branch agencies to shift focus from inputs to outputs, and to ~~"re~~view critically both their goals and possible strategies for achieving these goals."[30]

Future administrations employed their own versions of performance-based measurement. Management by Objectives (MBO) was initiated first in the early 1970s during the administrations of Presidents Nixon and Ford, and later again in 1990-1991 by President George H.W. Bush.[31] MBO required government agencies to define quantifiable objectives, to develop operating plans specifying how objectives would be achieved, and to measure performance. The Carter Administration initiated Zero-Based Budgeting (ZBB), which required several federal agencies to develop ~~"d~~ecision packages" for each budget activity and to build the budget from a _base of zero' without considering previous allocations.[32] During the Reagan administration when social programs were cut, ~~"G~~overnment agencies were not required to report much beyond program inputs and outputs to justify their existence; nor were they required to conduct a formal evaluation of their programs."[33]

In 1969 USAID developed its own RAND-like approach to development program design through what was called the LOGFRAME, or Logical Framework approach, which requires all aid project documents to describe Activities, Outputs, Purposes, and Goals, thus focusing on outputs rather than inputs. Within a few years 35 other western government aid agencies, a number of international organizations, and many large non-governmental organizations had adopted the USAID LOGFRAME system for designing all of their programs, and which remains widely in use today among USAID contractors and non-profits. Most of the command and control critics of foreign aid seem to be unaware of the LOGFRAME and appear to be trying to reinvent something that has existed for forty years.

The influence of the RAND corporation system and the automobile industry that attracted McNamara to the RAND model remains with us today. Over 40 years after McNamara led the Pentagon, Secretary of Defense Donald Rumsfeld sent Jack Bell, head of Defense Procurement, and following him, the former CEO of General Motors International Division, Lou Hughes (who at the time was the CEO of Martin Marietta, a large defense contractor) to lead an Afghan Reconstruction Group in Kabul, with the goal of bringing ~~–b~~usiness methods" to the reconstruction program. While Hughes was more reasonable and constructive to deal with than Bell, neither had any knowledge of development theory nor practice, had never worked in a war zone on reconstruction, nor understood nation building theory or practice.

Bell and Hughes' McNamara-style oversight of USAID projects in Afghanistan was applied to the school building program. When local Afghan tribal chiefs allied with the U.S. requested schools, the U.S. military built them, quickly and

efficiently, and in violation of the best principles of development practice. The military failed to confront the sustainability challenge of where the teachers, textbooks, and other resources—those things that make education within the school buildings possible—would come from, because such questions were not part of the military's frame of reference. USAID was accused of being obstructionist because it insisted on vetting school building proposals with community groups, obtaining the Education Ministry approval on the location of schools, and building Ministry capacity to staff, equip and meet the recurrent costs of the education system. Those steps entailed complex negotiations that the military saw as needlessly time consuming and bureaucratic as they inevitably caused construction delays, moving construction to new locations, and changes to building plans. USAID also required the prime contractor Louis Berger to use Afghan construction companies, of which there were only a few, in order to build indigenous capacity in building construction—a standard and widely accepted development practice. All this slowed down the construction process and led to widespread criticism by Bell and DOD executives of the USAID approach, which was leaked by the Pentagon to the *Washington Post* resulting in an expose of USAID‘s supposed failures in the school building program. Ultimately, though, schools built by the military were often not staffed by the Ministry of Education and often used for other purposes, which only angered the local population.[34]

What Bell and Hughes brought with them was what McNamara brought to DOD and the World Bank—a RAND-style quantitative measurement approach to nation building. This clashed with USAID culture in the field, particularly in the case of Jack Bell‘s view of aid projects. He saw both the health and education programs as construction projects, as illustrated above—a notion most development professionals would find sadly amusing. Bell claimed that USAID had

mismanaged the education and health programs because the construction program was behind the quarterly indicators schedule, the schools were expensive to build (they were earthquake resistant and handicapped accessible under a new Congressional statute and according to one evaluation had more classrooms than those built by other aid programs), and the USAID prime contractor had not done a good job of overseeing the Afghan construction companies.[35]

This clash between development and defense led to sustained conflicts between our officers and theirs in ongoing NSC working group meetings where DOD wanted to use school building construction as the metric for the Afghan education program, while USAID officers insisted it be the number of children in Afghan schools, the proportion of girls in the student body, the number of textbooks in the classrooms, and the number of trained teachers being paid and reporting for work. Even these metrics were of limited use since they did not report whether children in the schools were learning anything, nor whether the Ministry of Education could sustain the education program after aid agencies technical and management support ended, which were the ultimate objectives of the program.

McNamara‘s rigid, measurement-based approach has not translated well to the complex and dynamic field of development, as I have just demonstrated. As the years passed, and new administrations attempted to replicate what McNamara had created, the result was an ever-increasing maze of regulations, controls, and hoops for the development programs and partner organizations to jump through. When Jimmy Carter became President, he took another step in the process of strengthening the counter-bureaucracy.

The Counter-Bureaucracy Grows: Jimmy Carter and the making of the OIG

Carter (who appointed Beckington to his post in 1977) had run ―against" Washington in the 1976 Presidential campaign, ultimately defeating Gerald Ford as the Watergate Scandal, the Congressional attempt to impeach Richard Nixon, and the latter's subsequent resignation, were still fresh in public memory. With his strong Southern Baptist faith, Jimmy Carter positioned himself as a sort of southern Puritan in Babylon. It was very much in keeping with his campaign against Washington that Carter signed into law the Inspectors General Act of 1978, which, as amended, created the Office of Inspector General.

According to Moore and Gates, three trends contributed to the creation of the Offices of Inspector General across the federal government in 1978. These included, a demand for accountability, since one of the most dominant features of American political culture is mistrust of government from all elements of the ideological spectrum; the need for greater accountability of regulatory and entitlement programs such as Medicare and Medicaid; and, a demand by taxpayers to end the ―waste, fraud and abuse" of the federal government and political rogues in Washington DC.

The original legislation reorganized the investigative and audit capabilities of a dozen federal departments into centralized Offices of Inspectors-General (OIG). All Inspectors General (IGs) have complete autonomy and authority to conduct investigations. They must report directly to Congress and to the secretary or director of their respective agency and are legally protected from being fired by political executives.[36] Beckington served as IG for 17 years, which meant that his influence over agency operations was greater and more profound because of his exceptionally long tenure.

In the case of USAID, the OIG performs four major functions. First, it does systematic financial audits of USAID programs to ensure money appropriated can be accounted for, from six field offices around the world,[37] each headed by a Regional Inspector General.[38] Second, the office has an investigations division, which scrutinizes allegations of theft and criminal abuse in programs by public employees or partner organizations. Third, the office produces reports on USAID's management vulnerabilities to waste, fraud and abuse based on their analysis of the strength of the agency's business systems—accounting, procurement, and information management. And finally, the office does program audits to determine whether programs are accomplishing their stated objectives.

The General Accounting Office (GAO) of the Congress also performs the same functions (and more): they sometimes audit agency operations (though not often, even though they have an army of auditors), investigate allegations of illegal or improper conduct, determine whether programs are well managed, and whether programs are meeting their objectives—virtually the same objectives as the OIG.

The first three of these tasks by the OIG and GAO are essential functions which, when carried out in a non-political fashion, can improve management and program integrity. These functions of the IG are essential and should be protected. It is in the fourth of these tasks—program audits—that the OIG and the GAO have often misunderstood good development theory and practice, which I will return to later in my analysis.

Career USAID officers would oftentimes tell me that perverse incentives were at work in the OIG and GAO systems, which encouraged investigators and auditors to politicize audits by exaggerating claims of waste, fraud, and abuse. The OIG and GAO did this to show program failure, since they both justify their budgets

and their very existence to OMB and the Congress each year by supposedly measuring how much taxpayer dollars they had saved through their audits and investigations. These perverse incentives institutionalized an adversarial relationship between the Agency and the OIG and GAO—which was exacerbated by Herb Beckington. So the OIG and GAO offices of the federal system wear bureaucratic white hats, adversarial or not, while they battle the bureaucracies wearing gray hats. The central defining political reality of the work of the OIG and GAO is this: no American politician can ever be perceived as soft or insensitive to abuse in government programs, a mission which is more American than apple pie or the flag. The OIG and GAO are here to stay.

While it was Jimmy Carter who created the OIG as it is now, it was President Reagan, and his crusade against big government, that implemented the vision. President Reagan's mission to reduce the size of government, found a useful tool in the Office of the Inspector General. The OIG and GAO's growing importance during the Reagan years set the stage for what was to come in the 1990s under President Bill Clinton—a complete overhaul of AID's approach to doing development and the gutting of the agency's technical capacity.

Making Matters Worse: Measuring Development during the Clinton Years

While McNamara and Presidents Carter and Reagan laid the foundation for the growth of the counter-bureaucracy and compliance conundrum that we have today, it was the Clinton Administration that truly took the idea of measurement-based development to new and dizzying heights. When Bill Clinton ran for President in 1992 he took his 12 years of experience as Governor of Arkansas onto the campaign trail, arguing that he could do for the federal government what he had done as governor. One of those transferrable lessons was the measurement of

performance in government programs, which would allow him to reduce the size of the federal workforce—one of his primary campaign promises.

On June 18, 1992, in a speech to 5,000 delegates at a convention of the American Federation of State, County and Municipal Employees, Clinton pledged that, if elected President, he would eliminate at least 100,000 Federal employees by attrition in eight years to streamline the government and make it more responsive to its citizens. Clinton was the first Democratic presidential candidate to accept the Reagan revolution, claiming that, "the era of Big Government is over."[39] More than any other Democratic candidate, Clinton understood that Americans are—in their mind and soul—a center-right country, suspicious of big government, Washington, DC, and "big spenders and taxers" (unless they, of course, were getting some special benefit from that big government). Clinton's campaign to "reinvent government," which would be carried out by Vice President Gore, was his alternative to the supposed slash-and-burn strategy of the Reagan Revolution. While the initiative had many parts to it, three in particular were to affect USAID in a profound, and I believe, destructive way: (1) a performance-based quantitative measurement of program outputs and outcomes required by the 1994 Government Performance and Results Act (GPRA), (2) contracting out USAID technical and program design functions, and (3) a reduction in the size of the federal workforce.[40]

Reinventing Government and Foreign Aid – A Framework for Results

The Government Performance and Results Act (GPRA) was first drafted by OMB in the George H.W. Bush Administration and later passed by Congress with broad bipartisan support and signed into law by President Clinton on August 3, 1993, the

administration's first piece of management reform legislation.[41] President Clinton remarked:

> The law simply requires that we chart a course for every endeavor that we take the people's money for, see how well we are progressing, tell the public how we are doing, stop things that don't work, and never stop improving the things that we think are worth investing in.[42]

If only this were the case. Unlike past reforms, GPRA was actual legislation that tied performance results to budgetary decisions. It required all federal agencies to produce a strategic plan with organizational goals and objectives; a performance plan including measurement and data on meeting objectives; and a performance report including actual performance data. The law was to be implemented with a set of 3-year pilot projects before government-wide application occurred in 1999.[43]

Brian Atwood, USAID Administrator from 1993 to 1998, selected USAID Foreign Service officer Phyllis Dichter-Forbes to lead the team of career officers to reinvent the Agency‘s business processes so that they would better measure results and operationalize President Clinton‘s reforms for the U.S. government‘s foreign aid program. In a twist of fate that would affect the development field well into the future, Forbes‘ idea for implementing GPRA actually came to her…on an airplane ride. As she flew to Nepal to visit the USAID mission in 1994, Forbes noticed that the man sitting next to her was reading a best-selling management book ―Reengineering the Corporation: A Manifesto for Business Revolution” by Dr. Michael Hammer, one of the most influential management gurus in America. The book, which describes how to reengineer corporate business systems to improve management and increase profits, impressed Forbes so much that she proposed its

approach to senior management as a way to implement GPRA, which was heading for the Agency like an unstoppable freight train.

Forbes recalls, "In the business community, they were embracing reengineering—where you take all your systems and focus resources on the customer, which means that you focus on a set of results you want to achieve to make the customer happy. When you went to Asia, everyone was reading *Reengineering the Corporation*. I came back and said to Larry Byrne (the political appointee who ran USAID's management bureau, effectively serving as Chief Operating Officer of the Agency) that this is the approach we should take." Of course this raised the issue of who was USAID's customer? While it would seem obvious to a politically naive outsider that developing countries and their people were the customers, all of the incentives created by the counter-bureaucracy suggested otherwise; it was, in fact, the counter-bureaucracy itself. ***They*** were the customer as all of these federal control systems were designed to satisfy their mission and mandates, not the challenges of the developing world, not poor people, not good development theory or sound practice. According to Forbes, what made it different from previous efforts was that it proposed to, "start from the beginning, don't reform it—reinvent the entire system."[44]

It's Hammer Time – Implementing GPRA at USAID

While the implementation of GPRA at USAID seemed to be a purely technical bureaucratic exercise to protect the taxpayer, it was undertaken in a highly politicized setting. One assured way of guaranteeing the failure of a reform in the U.S. political system is to ignore the political context, since politics drives stakeholder and interest group behavior. Ultimately, the context in which the GPRA reforms were implemented at USAID contributed to their being so counter-

productive. That political context was driven by an idea floated in February 1995, by Warren Christopher, Clinton's first Secretary of State, of absorbing USAID into the State Department.[45] In this effort, the State Department had the support of Senator Jesse Helms (R-North Carolina), who was happy to carry the banner of USAID's abolition as an independent agency and merger into State. After all, Helms once described providing foreign aid as the "equivalent of throwing tax dollars down a foreign rat hole,'" and was thus sympathetic to any measure to institutionalize ever more controls on the Agency program.[46]

GPRA's implementation and the threat of AID's absorption into the State Department landed on Atwood's desk at roughly the same time. (It is interesting to note that it was First Lady Hillary Clinton who saved USAID from absorption into the State Department, where now she is leading the effort to allow State control over virtually all of the operating systems of the Agency and development policy and planning, if not their outright takeover). Atwood now faced (as do all political appointees in the executive branch) the political management dilemma of having to carry out a White House agenda that clashed with the needs of his Agency. When a political appointee becomes too loyal to the agency or department he or she works for, White House staff often claim that the appointee has "gone native" (i.e. putting loyalty to the agency over loyalty to the President's agenda). Atwood wanted to avoid defying the President's agenda in this way, and knew that he needed supporters in the White House to stop USAID's absorption into the State Department, which he believed would destroy the U.S. government's international development program.

He had no choice but to err on the side of loyalty (given the precarious position of the Agency) and was therefore faced with two options. If he resisted GPRA and

contracting out, he would only give more ammunition to supporters of the merger in Congress and the State Department with which to attack the Agency. Conversely, if he embraced GPRA and implemented performance measurement in USAID's new business system, he could prove to USAID's adversaries that foreign aid works and could produce quantitatively measurable program results. He chose the latter option.

GPRA gave federal agencies approximately four years to test the new requirements and prepare annual performance plans, yet Atwood moved much more quickly to improve the overall efficiency of the agency given the political predicament he faced. In 1999, a five-member research team from the Mercatus Center at George Mason University designed a Performance Report Scorecard to evaluate the performance reports required by GPRA produced by the 24 federal departments and agencies. By the end of GPRA implementation USAID was ranked first in quality of its compliance among of all 24 federal agencies and departments—but as we shall soon see--it came at a steep cost.[47] It suggests something about the politics of bureaucratic management in Washington that despite the first rank of USAID in this index in the 1990's, the Agency has continued to be criticized for being unable to demonstrate programmatic results.

On a positive note, GPRA did raise some important issues at USAID that needed to be addressed. The time it took to design, approve and implement programs was so long and tedious under USAID's old business system that conditions on the ground oftentimes changed completely from the design to the implementation phase. According to Forbes, it took up to 27 months for a consultant or AID officer to be deployed to the field, from the initiation of a new idea or approach. The entire process was so tedious and cumbersome that a mapping exercise undertaken by

Forbes, at Atwood's request, wrapped around the entire State Department conference room and finished outside in the hallway. Moreover, at the time, there were over 46 agency-wide manuals—none of the mission orders having authority over previous orders—that virtually tied the agency up in knots.[48]

Looking back, some of the authors of GPRA now admit that USAID ultimately drove the agenda too far. While GPRA was a top-down, government-wide initiative, its architects claim that it left considerable room open for each agency to establish its own set of indicators. According to one former senior OMB officer, USAID took "a double or triple dose" and applied quantitative results-based indicators to areas that made no sense.[49] Atwood adopted strategic planning and performance measurement and invested resources in training personnel and designing programs with "objective, quantifiable, and measurable" goals.[50]

By FY1996, USAID had already established a set of indicators and required country missions to report annually on program results.[51] Each indicator was to be direct (i.e. match the result), one-dimensional, operational, objective, illustrate the full scale of the problem, be sensitive to change from year to year, and susceptible to disaggregation (and by gender, race, ethnicity, etc. if possible or appropriate).[52] USAID career officers explained that in actually implementing GPRA the Agency emphasized even more rigorous standards, requiring all data be "verifiable, accurate (ostensibly by about one percent of the actual documented result), adequately documented, and validated by independent sources."[53]

Even Atwood, who was proud of the new measurement system, admits that USAID took GPRA too far. He believes that performance-based measurement was a useful tool that enabled aid managers to make decisions about what did or did not

work. However, by the second year, it had been twisted into ~~a~~ tool for the Inspectors General (IG) to use to shut down USAID programs that were not working in the short term." The same could be said of the GAO's use of GPRA. According to Atwood,

> The IG's concept was, you have to set goals every six months and you need to measure them. Development professionals knew that you needed in some cases 5-10 years to really get something done. I knew that we could establish a pathway to success with specific benchmarks, but 6 months was unrealistic; that should never be the basis for shutting down a program.[54]

The heavy emphasis on performance-based measurements and quantitative indicators at USAID did not occur to the same extent in other agencies, because they were more insulated from political pressures and able to resist the more extreme demands of the counter-bureaucracy. Faced with political hostility from both Congress and the Executive, and the assault by the State Department, to show that foreign aid can produce tangible and quantifiable results, GPRA forced Atwood and his team to over-implement GPRA. It was GPRA more than any other piece of legislation or regulatory process which facilitated the spread of OMD.

The Purging of the USAID career staff

Perhaps the single most damaging result of GPRA and the Reinventing Government initiative to the U.S. government's foreign aid program was the RIF (reduction in force) of 404 senior USAID career service officers between 1992 and 1996.[55] It is said in the U.S. military that it takes 20 years to train a battalion

commander, which is roughly the time needed to train a USAID mission director. These personnel cuts and freeze on hiring for five years thereafter left a gaping hole in the senior tier of career officers needed to run the agency, which became painfully apparent after 9/11 when these seasoned officers were needed most. By 2009, USAID mission directors on average had been in the foreign service under ten years, and being promoted from a dramatically reduced pool of officers.

The cuts in personnel were a direct result of two related but separate forces at work: GPRA and the Reinventing Government initiative.[56] In an effort to increase the government's efficiency and productivity, GPRA decreased the size of the federal workforce by 426,200, four times what President Clinton had promised during his Presidential campaign. Al Gore and Bill Clinton had become more Reaganite than Ronald Reagan. Gore claims credit for bringing about ~~–~~$136 billion in total savings, the passage of 90 pieces of legislation, the elimination of 250 obsolete programs, the reduction of 640,000 pages of unnecessary internal regulations, and the elimination of 16,000 pages of regulations affecting the public and businesses."[57]

The downsizing campaign managed and enforced by OMB, however, had a devastating effect on USAID personnel (and other federal departments as well). Between 1993 and 1996, USAID's total workforce was reduced by 30 percent, between the RIF and attrition. Talented USAID field and headquarters staff was RIF and program management was severely weakened.[58] GPRA's cuts also led to the closure of 26 field missions and severe losses in the agency's technical expertise—which up until the 1990s was considered to be the agency's greatest strength. The long-term effects have been damaging. In 1980, USAID had 4,058 permanent American employees. By 2001, this number had dropped to 2,200, a

45% cut. The Agency made up for these losses by hiring contractors, non-governmental organizations, and Foreign Service Nationals (employees of USAID who are nationals of the countries where the programs are being run) to provide the technical expertise to design agency programs. By 2001, USAID had just six engineers and 16 agriculture experts, while it had hundreds during the 1980s.[59] All of this was done with the active support and heavy pressure from the US Congress, both appropriations and authorizing committees, which are now complaining about USAID's business systems which were created in the 1990's to comply with congressional and executive branch edits.

Samuel Butterfield writes in ***U.S. Development Aid—An Historic First***, "the funding reductions in the 1990s (as a result of GPRA) were no longer cutting fat from the (USAID's) program; they were cutting away muscle and bone."[60] When the wars in Afghanistan and Iraq demanded more aid officers, there was nobody left to call up for duty, except retired aid officers. It was these retired officers, whom we hired through for-profit contractors, who carried out much of the war effort. Indeed this was one of the major attractions of the for-profit development companies, as they could hire staff in a matter of weeks while it took USAID along with other federal agencies more than a year to hire staff. In retrospect the Reagan revolution in its Clinton Administration manifestation did serious damage to the foreign policy agenda of George W. Bush by retiring experienced officers prematurely who were needed to manage the war effort in both countries.

The Bush Years: "Foreign Aid Needs to Produce Results, Results, Results"

In June 2000, presidential candidate George W. Bush argued in one of his campaign speeches,

> government should be results-oriented—guided not by process but guided by performance. There comes a time when every program must be judged either a success or a failure. Where we find success, we should repeat it, share it, and make it the standard. And where we find failure, we must call it by its name. Government action that fails in its purpose must be reformed or ended.[61]

Less than six months after taking office, President Bush rolled out his President's Management Agenda (PMA). The PMA established five government-wide priorities for all departments and agencies: strategic management of human capital; competitive sourcing; improving financial performance; expanded e-government; and, strategic budgeting, and performance integration. To implement the President's request, the OMB designed, and the Bush Administration began using, the Program Assessment Rating Tool (PART) to link performance information with the budgetary planning processes. Some of the PMA management priorities helped improve federal management, including at USAID; it was the contracting-out and strategic budgeting and performance functions of the PART that made no sense, in USAID's case, since the agency already contracted too many of its functions out, starting in the 1990s.

"Results" served as a governing mantra during the Bush administration, and have continued under the Obama Administration. The common refrain among senior presidential appointees was that Bush managed the executive branch with three priorities: "results, results, results."[62] When asked about GPRA at his Senate confirmation hearing, Mitch Daniels, director of OMB from January 2001 through June 2003, stated, "our first goal, I think, ought to be to get the agencies themselves to live up to their responsibility under the Results Act...but if they

won‘t, maybe we can find a way to do it.‘‘[63] The Bush Administration developed and began using the Program Assessment Rating Tool (PART), a system designed to integrate budget and performance assessments.[64] OMB and agency staff assess the design and performance of hundreds of federal programs.[65] Unlike other presidents—who bypassed OMB because they thought it to be unresponsive to the president‘s political needs—the Bush administration‘s PART employed OMB to advance the administration‘s policy agenda, I believe because of Mitch Daniels‘ (OMB director) remarkable political and management skills.[66]

PART has diverted USAID‘s very limited staff to do more paper work, while slowing down development projects in the field. A PART review is a laborious task, and generally takes up two months of the field staff‘s work each year. It has not led to any improvement in foreign aid program management or oversight, nor has it made budget decision making more ―rational”, its ostensible purpose, given that most budgeting decisions are made on a political not a technocratic basis made through extensive earmarking by both OMB and the US Congress.[67] Ken Schofield, former mission director in the Philippines and Assistant Administrator (acting) of the Policy and Planning Bureau of USAID, and a thoughtful student of the business processes of the agency, described the problem in an email to me:

> From the perspective of the officers running programs in the field, two months (October and November) are devoted to reviewing and reporting on past performance; the next four months (December through April) are pretty much devoted to budget and implementation proposals: Preparing the Congressional Budget Justification for the coming year, preparing Mission Strategic Plans for the future year, and preparing Operational Plans for the current year. And of course

> the final two months of each fiscal year (August and September) are devoted to preparation and signing of contracts and grants to obligate newly appropriated funds that have finally been made available. Almost eight months of every fiscal year are dominated by reporting and budget processes, leaving program and technical experts precious little time to design new programs and monitor the implementation of ongoing programs.[68]

The larger problem with PART and other management control systems, which produce annual reviews, is that results of development do not manifest themselves on an annual basis. Most take years to show results, and sometimes show results many years after the project is completed. Applying one management standard to all federal agencies and departments solved the huge OMB headache of how to ride herd on the entire federal bureaucracy using common comparative indicators, but it was particularly ill-suited to a development agency. While production-like indicators may be appropriate for an agency like the Social Security Administration (which carries out the same set of ministerial tasks in each of hundreds of offices around the United States, a wealthy, stable and high educated country) common indicators are inappropriate for bureaucracies which perform those tasks and which are not easily measured, such as the State Department‘s representational work abroad and USAID‘s foreign aid programs which are run in poor countries, many of them in the middle of civil conflicts, with widespread corruption and poor government capacity.

Perhaps the most destructive OMB practice, which undermines good development work more than almost any other, is the use of disbursement rates to determine the success or proper oversight of aid programs. On the first Tuesday of each month,

from the beginning of the Iraq and Afghan wars up until this writing in 2010, OMB and the NSC staff have held an interagency meeting where they would ask the Pentagon, USAID, and State Department to report on their program disbursement rates—called the burn rate in USAID (how much money the agency spends in a particular program by month)—to vendors or recipient governments. Senior aid officers would protest at these meetings about how foolish and counter-productive this metric was for judging program performance, as it created a powerful incentive for USAID officers to use mechanisms which would spend money quickly as opposed to those which were the most programmatically successful over the long term. Fast disbursement would avoid any Afghan or Iraqi input, management, or leadership in program decision-making (essential to getting local ownership), since such activities inevitably meant long debates, negotiations, and delays, which slowed the burn rates to a crawl. This perverse incentive encouraged money to be spent through large NGOs and contractors who could spend the money faster than virtually any other international aid agency and certainly much faster than third world governments. Some of the technocratic managers in the Obama Administration, involved in the current aid ―reform" debate, who demand that all money be spent through local institutions are the same ones pushing for faster disbursement rates and better audit results, demands which are mutually exclusive.

Dr. Raj Shah, the new USAID Administrator in the Obama Administration, has also made ―results" based management a central theme of his foreign aid reforms at USAID, and the Congress has echoed his call. Last year Senator Robert Menendez declared, at a Senate Foreign Relations Committee hearing that ―Congress needs to see results. The American people need to see results, and so do the millions of people around the world whose lives literally depend on our ability

to carry out these programs in the smartest way possible."[69] On the face of it, demanding results from aid programs—whether by the Bush or the Obama Administration—would seem to be as American as motherhood and apple pie. Who could dispute such a proposition?

If one were to examine the development literature (as opposed to the dysfunctional standards used by the counter bureaucracy) on good development practice over the past thirty years three questions about results recur over and over again: how should "results" be defined, what metrics (if any) should be used to measure them, and when should they be measured? A fourth issue presents itself which has not been studied much: how much employee time and public money ought to be used in the process of doing this? These are indeed the central questions aid managers and policy makers interested in aid reform should focus on.

The Results-Based Approach in Action: The President's Emergency Plan for AIDS Relief (PEPFAR)

The President's Emergency Plan for Aids Relief (PEPFAR) is an excellent example of how a focus on results and outputs can conflict with good development practice. The PEPFAR program began in 2003, when President Bush asked Congress:

> to commit $15 billion over five years to establish a comprehensive plan to prevent 7 million new AIDS infections, treat at least 2 million people with life-extending drugs, and provide humane care for millions of people suffering from AIDS and for children orphaned by AIDS.[70]

When George Bush asked Randall Tobias, retired CEO of Eli Lilly, the Indiana-based pharmaceutical corporation, to direct PEPFAR, it seemed to be an inspired choice, given the administration's focus on good management and results. In six years, Tobias had taken Eli Lilly from $14 billion to $90 billion in annual sales, by pursuing two main strategies: (a) focusing and concentrating the drug giant on a few essential product lines and (b) measuring everything it did so it could manage its work with greater efficiency and higher profit margins. "He was a numbers guy," one USAID officer, who worked for Tobias, put it to me once, and George Bush believed he needed a high-profile business figure to get the program moving.

The bureaucratic battle over which agency should run the program resulted in a compromise: an office headed by Tobias would be set up in the State Department to make policy, design the program, and deal with the Congress and news media, and two operational agencies, USAID and the Center for Disease Control (CDC), within the Department of Health and Human Services, would manage most of the programs in the field (USAID spends about 65% of the funding and about 35% by HHS/CDC).

One of the central lessons taught in schools of public administration, which some business people who enter government service often do not understand, is Wallace Sayre's celebrated dictum: "Government and business administration are alike in all unimportant respects." Tobias, who reported directly to the Secretary of State, chafed under the bureaucratic authority and business systems of the State Department, to which his office was subordinate. He once wrote an infamous memo which infuriated both the State Department and USAID (which was very difficult to do simultaneously) in which he demanded complete control of all personnel and business systems of both departments and CDC which affected the

PEPFAR program. Many major business figures new to government service believe they are running a corporation with neat lines of authority, no interest group meddling in management, no congressional oversight, no counter-bureaucracy and few constraints on managers (constraints which managers in business do not have to contend with).

In designing the PEPFAR program, Tobias took a very different approach from previous U.S. development programs, by creating a system that produced a huge amount of data, and was implemented rapidly, with highly visible results: highly centralized and standardized and looked remarkably the same in each country in which it was run. It was very similar to industrial assembly line management. If anything, virtually the entire development literature agrees that successful aid programs must be designed around local conditions, circumstances, culture, and leadership (Bill Easterly and Jeffrey Sachs, the two polar extremes in the development debate, both agree on this). This requires a highly decentralized approach to development where authority to make policy decisions is made in the country, not in aid agency headquarters. Some of his approach came from the PEPFAR legislation, which required that 55% of appropriated funds be used for the treatment of HIV-infected individuals, and at least 75% of treatment funds be used to procure antiretroviral drugs (ARV directive). Fifteen percent of appropriated funds were to be spent on palliative care for those living with HIV/AIDS. Twenty percent of funds were to be used for prevention (prevention directive), which emphasized the World Health Organization standard ABC approach (abstinence before marriage, being faithful within marriage, and condom use), with at least one-third of the 20% prevention funds (or 7% of the total program) directed to programs encouraging abstinence.[71]

Tobias designed the PEPFAR program to count each person who walked into a clinic to get anti-retrovirals (ARVs), a measurement which has turned out to be flawed because many never return for ongoing treatment, thus exaggerating the number of people actually receiving treatment. But the system does provide massive amounts of information to policymakers in Washington. The USAID staff in the field offices complained to me that they were spending virtually all of their time filling out forms, aggregating data, and sending reports to Washington, with no time left to manage the programs, which required field visits and interaction with local health leaders and policymakers.

For the first five years of the PEPFAR program, few funds were spent on institution building in any country except South Africa, where the government prohibited the U.S. from funding any anti-retroviral medication, instructing them instead to concentrate on capacity building and training. Much of the program was carried out by contractors and NGOs (traditional partners of USAID), thus avoiding the health ministries and governments of developing countries, which had very limited capacity to run a program of this scale, and where accountability problems were chronic. In some countries with limited physical health infrastructure, USAID partner organizations, which were under pressure to confront the pandemic immediately, erected tents to begin treatment almost immediately after funds became available.

As I look back at the PEPFAR program, I now realize that it is not a development program at all, but an emergency humanitarian program (indeed it was called the President‘s Emergency Plan): centrally managed, standardized across all countries, with little long term institution or capacity building, and aimed at the one simple purpose of saving lives. USAID‘s disaster management programs are also

centrally managed with a standardized set of worldwide standards. PEPFAR is a disaster relief program in disguise—from that perspective it has been a great success, except for one problem. Disaster programs end when the crisis phase is over and victims recover their self-sufficiency, while PEPFAR cannot end, as there is no cure for HIV/AIDS—only ARV's exist, which those infected with the disease must take without interruption for the remainder of their lives (or until a permanent cure is found).

The program was very visible (and obviously popular among the people receiving the medication), moved with lightening speed (since development programs usually mobilize ever so slowly), accounted for every dollar spent (with little leakage in corruption, because the money went through USAID partner organizations), and measured every aspect of the program (so Congress, the IG, OMB, and the GAO knew the outputs in detail). This was a foreign aid program that provided the ~~"r~~esults, results, results" President Bush had insisted all federal programs produce. In its first few years, PEPFAR received wide praise for its success in rolling back the devastating HIV/AIDS pandemic in Africa, which only reinforced the perception in Washington that this was the model for future aid programs.

It was not until much later that criticism of the program in Europe and Africa began to surface. Laurie Garrett of the Council on Foreign Relations wrote a particularly stinging article in the January/February 2007 edition of *Foreign Affairs*. She wrote,

> In the current framework, such as it is, improving global health means putting nations on the dole – a $20 billion annual charity program. But

> that must change. Donors and those working on the ground must figure out how to build not only effective local health infrastructures but also local industries, franchises, and other profit centers that can sustain and thrive from increased health-related spending. For the day will come in every country when the charity eases off and programs collapse, and unless workable local institutions have already been established, little will remain to show for all of the current frenzied activity.[72]

When President Bush announced his $1.2 billion Malaria initiative in 2005, I bowed to the avalanche of members of Congress, beltway advocates, and critics attacking traditional development practice, and told the White House I would run the malaria program just as Tobias had designed PEPFAR—centralized, standardized, measurable, and dramatically visible—if they would locate the program in USAID under our control. I signed a now well known memo (within USAID) rescinding traditional aid practice and capitulating to the counter-bureaucracy. The Bush malaria program is presently viewed as a great success measured by quantitative indicators, massive data, speedy implementation, and is standardized and industrialized, as it looks exactly the same in each of the targeted countries. Malaria has been entirely wiped out on the island of Zanzibar using this approach. Every weakness, though, described by Laurie Garrett of the PEPFAR program, is as applicable to the malaria program; it is not sustainable and has not involved the development of local institutions, but the White House, State Department, and Congress enthusiastically supports the program (in both Republican and Democratic Administrations). The Malaria program is achieving what it was designed to do: reduce infection rates. But is it sustainable?

Under attack by Laurie Garrett and other development professionals, PEPFAR now claims to have used 32% of its budget in training. This is misleading at best. Africans are being trained to administer anti-retrovirals because they have been hired away from existing hospitals and clinics to carry out a new kind of program which they have not had any training in. This is not institution building (in fact, it may have damaged existing but very fragile health care institutions in Africa) of which training is only one part, and a small part, I might add.

Now we face a situation where, during a tight budget year (which, due to the financial crisis and ballooning federal budget deficits, may be on the horizon), funding for programs like the PEPFAR and Malaria initiatives may be cut. If and when that occurs, the programs will collapse because they are not sustainable and have no indigenous institutional infrastructure beneath them. The PEPFAR development model has been able to tell us—with a raft of data and quantitative measurements—what the HIV/AIDS program has bought, but little else about the sustainability of the program. PEPFAR's development model would later find its way into other foreign aid programs, as we shall soon see.

The Reform of Foreign Aid: the White Paper

As a new international order took form after 9/11, we at USAID decided to recast the intellectual framework for the U.S. foreign aid program so that it responded to the needs of both American foreign policy and good development policy. This was an attempt to make foreign aid more accountable and more understandable from a policy perspective. We produced the ***USAID White Paper***, which was released in January 2004, in an attempt to break out of the narrow sector silos which had constrained Agency thinking and programming for too long, and refocus attention on institution building as the central thematic focus of aid programming. Instead

of sectors we created five categories of countries and programs: high performing countries (which the MCC was designed to assist), fragile, failed and recovering states, humanitarian assistance in crisis states, cross cutting aid for such changes as HIV/AIDS and environmental programs which are regional or global in nature, and strategic allies. One of the key findings of the paper was the need to analyze the key drivers of conflict in a country (as of 2001 60% of all countries with an USAID mission had had a civil conflict in the preceding five years) and connect conflict mitigation measures with development strategies—programs that are particularly difficult to measure quantitatively. How do you prove quantitatively that an aid program prevented a conflict if it never takes place? Thus in order to remake a post 9/11 justification for foreign aid and development programs we came up against the counter-bureaucratic demands for measurement.

In March of 2005, several months into Dr. Condoleezza Rice's tenure as Secretary of State, I asked for a meeting with her top advisors and staff to discuss some proposals we had put together at USAID to improve the U.S. foreign aid architecture and the conceptual framework behind foreign aid—in essence, to implement the White Paper. We had two long meetings, which Rice herself attended, about five proposals: re-staffing of the USAID Foreign Service to rebuild its technical expertise; the creation of a small twenty-thirty person management unit to better coordinate USAID and State Department budgeting decisions to be run by the Administrator of USAID, who would be "dual-hatted" as the Director of Foreign Assistance, with the rank of a (second) Deputy Secretary of State (an idea I took from Brian Atwood who had proposed it in the 1990's); the recentralization of all aid programs into USAID that were spread out across 17 federal departments and agencies (where it had been during the Cold War); the Presidential appointment of the Administrator of USAID as the chief international

development officer for the federal government; and, the creation of a Quadrennial International Development Review (the Quadrennial Diplomacy and Development Review being run by the Clinton State Department is a troubling mutation of the original idea), which was to be a government-wide agreement on a set of federal policies across all federal agencies to support development in poor countries with a common institution building programmatic focus.

Rice endorsed all of the reforms and gave orders to implement all of those which could be done without going to Congress for legislation, given that she thought it was unlikely that Congress would approve any coherent form of legislation in the time left in the Bush Administration. Later in 2005 I told Rice, after nearly five years of leading USAID, I intended to retire and move on to teach at Georgetown University, which I did in mid-January 2006.

The New Model for Results: The "F" Process

Within weeks of my departure Secretary Rice gave a historic speech at Georgetown University in which she coined the term "transformational diplomacy" and announced the conceptual redirection of American diplomacy. According to Rice, the 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."[73] The conceptual framework for the Rice paradigm change in American foreign policy is implicitly focused on institution building, so her formula was appropriate in terms of the development challenges facing fragile and failed states. As we shall soon see, the weakness of the Rice framework was the new business model used in executing the plan; it was fundamentally inconsistent with the vision. The next day during a speech at the State Department, Secretary Rice stated that foreign assistance was a fundamental

component of transformational diplomacy and announced a major restructuring of U.S. foreign assistance programs. She announced a new position, the Director of U.S. Foreign Assistance, who would have the rank of Deputy Secretary of State and be ―dual-hatted" to serve as USAID Administrator, while simultaneously managing the State Department's foreign aid program.[74] She and President Bush turned to Tobias to take the new position.[75] Under the Clinton State Department the Administrator is no longer ―dual-hatted," a deputy secretary of state for resources and management has been appointed who controls the USAID budget, and thus the USAID Administrator has no direct control over his own budget (at least at this writing).

The PEPFAR program would have profound implications for the direction of the entire U.S. foreign aid program under Tobias' leadership. Tobias took the quantitative approach to management he had used with great success at Eli Lilly (which won him plaudits on Wall Street for saving a failing company) and with the PEPFAR program (which saved many lives) to his new position. After he assumed the new position he took the USAID White Paper and created a new budgeting system for foreign aid based on its new country and program categories with the added overlay of trying to reinvent GPRA based on his experience with PEPFAR.

The creation of the Office of Foreign Assistance and the Foreign Assistance Framework resulted in the demand for an enormous amount of data collection, paper work, and a detailed classification of activities funded by USAID. The F Process created a total of 400 (which has now been increased to 1100 indicators as of this writing) standard indicators (none of this edifice was part of the original reform proposal we made to Condi Rice) to assess the effectiveness of USAID programs, which created a mechanistic, standardized, quantitative approach to

program management. The F Process has joined the counter-bureaucracy, as it has created a new layer of paperwork and levers of control and has added new evermore-dysfunctional dynamic to the ―process-over-program" bias within U.S. government aid programming, whether in State or USAID.

To be fair, the Director of Foreign Assistance experiment has made some needed improvements in aid management. For example, it has made it possible to know, with a click of a button, exactly how much USAID is spending on a program at any given time. The Foreign Assistance Country Tracking System (FACTS) and FACTS Info database systems created as a result of the ―F process" are useful resources that would have made my job much easier had they existed during my tenure as USAID Administrator. However, the questions remain: does the centralization of decision making, program development, focus on quantitative measurements, and standardization of programs improve performance, sustainability, or political support for development programs run by the U.S. government? My own experience is that they do not. And, are there any perverse, unintended consequences that have resulted from the long and painful history I have just described? I believe there are.

In my last year as Administrator I had announced a plan to revive the evaluation function and rebuild USAID's Center for Development Information and Evaluation because (CDIE), because without a robust evaluation culture, a development agency cannot do its job properly. Theoretically, Tobias' new, industrialized system for measuring accountability replaced the evaluation office. Just as Randall Tobias was putting this new industrialized aid system, which bore striking similarities to the McNamara model of management, he took another decision to dispense with the old aid system. He abolished CDIE, which was the last vestige

of the old USAID which existed during the Cold War, and was gradually being phased out under the Atwood reforms of the 1990's. The center, for many years the gold standard in development evaluation, provided in depth rigorous reviews of USAID programs in the field by interviewing the people (called field impact evaluations) who are supposed to benefit from the programs, with analysis done by technical experts in the development disciplines.[76] These reviews were used to redirect USAID programming where it was not working and to build on successful outcomes. For example, one CDIE multi-country review of the agricultural extension worker system (based on the U.S. Department of Agriculture model used in the U.S.) that USAID had built in Asian countries to institutionalize the Green Revolution, asked hundreds of farmers if these extension services were useful or helpful. The farmers by a wide margin said they were not, and as a result USAID phased out the extension worker program. Because of staff and budgeting cutbacks beginning in the late 1990's, CDIE's capacity had eroded, and, instead of rebuilding it, Tobias decided to abolish it.

The Eight Perverse Effects of the Counter-bureaucracy

Thus we may conclude from this analysis that the rise of the counter-bureaucracy, and subsequent spread of OMD, has had eight unintended consequences on USAID's programs and business model. First, a greater and greater proportion of Agency funds are being spent through known partner organizations—NGOs, contractors, universities, and cooperatives—which understand federal law and regulations and Agency business practice so well that they are less likely to get into counter-bureaucratic trouble. This practice has restricted newer, smaller, and/or local organizations from competing for grants and contracts, since these organizations lack the business systems to follow U.S. federal law and regulation, to properly account for all funds, to disburse money quickly, and to produce

measurable and auditable results. The notion that a developing world company can easily comply with the requirements of the Federal Acquisition Regulations and the Foreign Assistance Act—a reform under consideration by the Obama Administration (which I designed and began trying to implement in 2005)—is preposterous.

Over time, this practice has also resulted in a growing practice of spending money through contracts, (which must account in detail for the expenditure of all aid funds) rather than through grants (which go to NGOs with far less bookkeeping, regulatory, and oversight requirements). In FY 2009, there were a total of 950 contractors and non-governmental organizations that did business with USAID. This has meant more funding for a Bechtel Corporation in Iraq (at least as a prime contractor) than a local Iraqi company, or to large established NGOs, such as CARE, Save the Children, Catholic Relief Services, and World Vision, rather than to Mother Teresa's charity or a local social entrepreneur. New partners risk confrontation with the counter-bureaucracy, bad audits, failed compliance with the FAR, poor performance ratings for the annual PART evaluations, slow (disbursement) burn rates, criticism by the GAO in their evaluations, and failures to produce the measureable results required by the Office of the Director of Foreign Assistance. As importantly the transactional costs of funding a one million dollar grant to a small NGO is the same as a $20 million contract to a large established partner organization because of nature of federal regulatory requirements, and so it makes little management sense with a limited staff to fund smaller grants and organizations.

Second, the counter-bureaucracy has created a culture in the entire federal system that is overly risk-averse. This especially affects USAID, which is politically weak

in Washington and cannot confront these pressures. It has also meant that new partners, new experimental technologies, and new approaches to development are the exception rather than the rule in aid programming because they involve taking high risks, particularly in countries with weak or non-existent institutions, widespread corruption, poor infrastructure, and weak human capital. The professional degrees and norms of the career officers who get recruited into USAID and the World Bank drive them towards innovation and best practices—not risk-aversion. Thus high levels of frustration in the career service of both institutions is inevitable; in USAID, virtually all Foreign Service officers want to get out of the Washington headquarters for assignments in the field because it is seen as less under the control of the counter-bureaucracy—though with the advent of the internet and electronic communications, its influence now extends to the four corners of the world.

Good development practice requires experimentation, risk taking, and innovation. Innovation continues in the aid system, but at considerable personal risk to the career of officers undertaking it and in spite of the risk-averse culture of the federal system. The Foreign Service system is highly competitive, and a bad audit or a failed program, however well designed and innovative, is career ending. Public employees respond to incentives—the most powerful at work in the aid system have been created by the counter-bureaucracy and enforced by the culture of confrontation in Washington.

Third, oversight and accountability are not free. More staff must be hired by these partner organizations to account for every dollar spent, to measure everything, to comply with voluminous federal regulatory law (particularly in the Federal Acquisition Regulations and the Foreign Assistance Act), and ensure ~~re~~sults,

results, results." This means higher and higher overhead costs imposed by the counter-bureaucracy and congressional staffs on USAID contracts and grants. The odd notion that all of this complex web of compliance can be done with no overhead costs is usually argued by people who have never run anything and are completely oblivious to the reality of program management in poor countries.

Fourth, the growth of the counter-bureaucracy has also resulted in a marked increase in the number of compliance officers working at USAID at the expense of the agency's technical experts. James Q. Wilson has argued that putting more professionals in a bureaucracy—those with advanced degrees in disciplines which have professional norms of behavior and scholarship—will act as a self-regulating resistance to perverse bureaucratic behavior. While I ran USAID I saw this at work on a large scale. One of the reasons the career foreign and civil service at USAID were so resistant to this mindless counter-bureaucratic demand for measuring the immeasurable was their professional degrees—USAID foreign or civil service must have a graduate degree in a development discipline, making USAID's career service highly educated and highly resistant to management systems that violated their professional norms. That resistance has slowed since the 1990's, as the growth of the counter-bureaucracy has led to the gradual promotion of management or compliance—as opposed to development—experts, such as accountants, lawyers, auditors, and procurement officers to leadership positions, including Mission Directors. A conservative estimate based on a careful analysis of personnel specialties in the foreign and civil service by Ken Schofield, confirmed that currently at least a third of USAID officers are hired explicitly to fulfill compliance duties at the agency (his analysis did not include Foreign Service Nationals, however, which would increase that number and perhaps the proportion even more).[77] Proposals by members of US Congress, however well intentioned, to

restaff the USAID career service with more technical, program experts without any regulatory relief on the compliance side make little sense.

When I asked a senior career USAID officer why so many lawyers (who I thought by temperament would resist innovation and risk-taking) in the career services had been promoted to senior positions including Mission Director, the answer was as remarkable as it was instructive: "Lawyers more than any other officers know how far they can insist on good development practice overriding the dysfunctional managements systems the (counter) bureaucracy has imposed on USAID without getting into legal trouble." This can equally be said for procurement officers and comptrollers who have become mission directors; they can walk the fine line needed to do good development work and yet comply with the demands of the regulatory overlords of Washington.

Fifth, as compliance officers continue to overtake the technical experts, more and more decisions on which organizations are chosen as partners are made by administrative officers from the compliance side of USAID's career staff. Consequently, fewer and fewer decisions are made by technical and program professionals and Mission Directors, both of whom are more likely to make decisions on a developmental, not a management, basis. While it would seem that many well-managed USAID programs that comply with all of these demands are also developmentally sound and produce transformational results, this is not necessarily the case. Conflicts between good management and good development practice inevitably arise, and the compliance side increasingly wins.

Essentially, accountability should not be confused with developmental effectiveness. A program can be highly accountable with no fraud or abuse, yet be

a developmental failure; conversely, a program can suffer from a leakage of funds and poor record keeping and yet be highly innovative and successful developmentally. Good federal management is defined by the regulatory lords and counter-bureaucracy as complying with the FAR , fast disbursement rates, keeping records properly, filing reports on time, maintaining an accounting system with no vulnerability and no findings in the management report, and other command and control measures. Program audits done by the OIG do include percentage success rates based on a narrowly construed, and often developmentally unsound, definition of that term, but this only serves as one of many standards of success. Contract compliance and financial accountability are certainly desirable and even admirable from a public administration perspective, but they should not be confused with good development practice and can often be counterproductive to it.

Sixth, activities with measurable outcomes have, over time, crowded out those activities, at USAID, that are more difficult to measure. James Q. Wilson predicted exactly this tendency when he wrote, "work that produces measureable outcomes tends to drive out work that produces immeasurable outcomes."[78] He concludes with the prescient observation that "the subordinates are not without their own resources ("they want stats, we'll give 'em stats"); others will subvert the management strategy by ignoring measured activities (thus jeopardizing their own chances for advancement) or by generating enough stats to keep management happy while they get on with their own definition of what constitutes good work."[79]

That crowding out of less measurable activities has in turn led to a greater emphasis on service delivery instead of institution building and policy reform as the predominant programmatic approach to development. As I mentioned earlier,

from its inception, USAID focused on building sustainable, indigenous institutions in developing countries and on policy reform, approaches that have remained ingrained in the organizational culture of the Agency. Yet pressure from the counter-bureaucracy, the Congress, and the State and Defense Departments has driven institution building and policy reform to the back seat, while service delivery has taken over.

The gradual absorption of USAID by the State Department is now increasing the pressures for making this short term, quantitative approach even more predominate in aid programming. The control of the F Office in the State Department has essentially been taken over by technocrats from OMB, which have brought with them its measurement, command and control culture.[80] The one exception may be the PEPFAR program, where the Obama Administration is now emphasizing health care systems and institution building, mainly because Congress has insisted on it in its reauthorization of the program after the withering criticism of Laurie Garrett. The USAID programs in Iraq and Afghanistan, the President's Malaria Initiative (PMI), and emergency humanitarian programs all focus attention on the more easily measured delivery of specific services to specific populations. Whether or not indigenous institutions are developing the capacity to deliver services on their own, once the aid program subsidies end is simply not measured.

This trend is not confined to the U.S. aid system either. The World Bank suffers from multiple layers of regulation and oversight as do many of the European aid agencies. By definition, the international aid system is now focused on implementing the Millennium Development Goals (MDGs), which measure service delivery or service standards, not the institutional development needed to carry them out. The MDG's agreed upon at a UN conference held in September

2000, were a set of eight goals (such as all children completing primary school) bilateral and multilateral aid agencies and developing countries agreed to focus their resources and attention on which will supposedly be achieved by September 2000. The MDGs' heavy emphasis on the delivery of public services by whatever means necessary has overwhelmed the building of those local institutions that will be needed to deliver those services when the MDGs are long forgotten. The institutional viability of developing country education ministries is far more important than the number of schools constructed, textbooks printed, or even children in the classroom. Outside contractors, NGOs, and UN agencies could ensure that these tasks get done on their own, but that would have a much more limited developmental benefit. If a country's Ministry of Education were to achieve half of what was required under the MDGs, but took the leadership themselves to accomplish this more modest objective, it would be of far greater significance than if western aid agencies or international organizations fully achieved the actual quantitative calculation.

Seventh, compliance not only costs money it has come to dominate the time allocation of aid officers, who were already burdened with annual process activities such as preparation of the annual budget submission (among others, as Ken Schofield earlier described). The PART reviews required by OMB and the Annual Operating Plan required by the State Department's F Office have added four months of work (two months of work each) onto the existing process-burdened system. If one were to read the program evaluations of CDIE over the years one would realize that they generally credit USAID with high quality program design and criticize implementation failures. This essay originally was supposed to focus on development practice in implementing programs, and, as I examined the reality of what happens, I realized that implementation is being

squeezed out by these dominant process requirements generated by Washington. So the biggest cost of the existing system of data collection, measurement, and compliance requirements is that the one aspect of aid work, which need more attention—implementation—is increasingly neglected.

Eighth, the time horizon for USAID programs has slowly and steadily shrunk. Before the 1990's aid programs were typically ten years in length, with a review after the first five years to make adjustments if needed. Right now the time horizon for these programs is one year instead of ten years.

Finally, many traditional aid practices are now simply unacceptable because of the regulatory demands of the system. USAID has historically been first among bilateral and multilateral agencies in funding local NGOs, indigenous think tanks, developing country colleges and universities to build local institutions and local capacity, but has reduced its funding to these local institutions because of the demands of the counter-bureaucracy. Budget support—an aid implementation mechanism which puts assistance funds into the treasuries of developing countries so they can spend the money according to local priorities and needs—was another tool used historically by USAID, but is now only used on a limited basis, primarily in countries allied with the USG for diplomatic or military purposes.[81] In 2007, the U.S. provided $391 million in budget support, less than 2% of total ODA.[82]

Many European Aid agencies and advocacy groups, such as Oxfam, are pressing the U.S. to return to budget support, which was phased out in large part because of longstanding and aggressive opposition from General Beckington and the U.S. Congress, who believed budget support funds could not be audited or accounted for, which are indeed one of its many drawbacks. I have deep reservations about

the widespread use of budget support for developmental reasons based on the arguments of Douglass North, Barry Weingast and John Wallis (*Violence and Social Orders*) and Paul Collier (*Bottom Billion*), but the counter-bureaucracy ought not to be making these decisions. (Budget support pushed through fragile, failed or recovering states would likely suffer the same fate with the same consequences as revenues from oil, diamond, or gold—it would attract predatory forces and corrupt weak state institutions. Collier calls this the ~~"re~~source curse.") But there are a half dozen developing countries with strong enough institutions to use budget support wisely, but cannot because the counter-bureaucracy opposes it.

Implications for Aid Reform: The tradeoffs, dilemmas, and paradoxes of this clash

The Problem. What is to be done about all of this? Let me summarize the problems with the compliance system now in place:

- excessive focus on compliance requirements to the exclusion of other work, such as program implementation, with enormous opportunity costs;
- perverse incentives against program innovation, risk taking, and funding for new partners and approaches to development;
- the Obsessive Measurement Disorder (OMD) for judging programs, that limits funding for the most transformational development sectors;
- the focus on the short term over the long term; and,
- the subtle but insidious redefinition of development to deemphasize good development practice, policy reform, institution building, and sustainability.

The reason for most of these process and measurement requirements is the suspicion by Washington policymakers and the counter-bureaucracy that foreign aid does not work, wastes taxpayer money, or is mismanaged and misdirected by field missions. These suspicions have been the impetus behind the ongoing focus among development theorists on results. Thus any effort to repair or reform the foreign aid system must deal with the problem of results as I described earlier: its definition, metrics for measurement, time sequencing, and cost of doing so.

A New Measurement System. How aid programs are judged in Washington by the counter-bureaucracy needs to be overhauled. While quantitative measurements have been productive for the service delivery aspects of some aid programs, such as humanitarian relief, health, and other hard science based programs, other categories of programs, such as institution building in all sectors, democracy, governance, and economic growth programs, are suffering from the misapplication of short term indicators to programs. USAID should negotiate some broad agreement with oversight bodies to exempt from quantitative measurement those categories of programs where short term indicators make little sense. Some exemptions might include local think tanks and research centers, scholarship programs, conflict prevention and mitigation programs, institution building projects, economic growth programs, and technical assistance in democracy and governance programming, among many others.

USAID should also be given a pool of funding for developing performance indicators for those categories of programs which may be conducive to measurement, but for which congressional support for development of these indicators has been lacking in the past. Robust health service delivery program indicators have been developed because Congress appropriated money to allow USAID to do it, while they have not done so in other categories.

USAID with Congressional assent should create three categories of aid programs which reflect existing aid practice—service delivery, institution building, and policy reform—with different evaluation methodologies for each. Service delivery is an essential aid approach for programs in failed and recovering states, where institutions are non-existent or controlled by predatory forces in the society. I am not proposing here that aid service delivery programs be abolished, but rather that other kinds of aid be protected from mutating into service delivery programs. Instead, field impact evaluations should be used for institution building, certain kinds of service delivery programs, and policy reform. Field impact evaluations—where a team of evaluators conducts extensive interviews with aid beneficiaries across several countries, where the same kind of program has been running in order to determine whether a given program approach was producing the intended results—should replace the OMB PART system, the program indicators of the Office of the Director of Foreign Assistance, GAO program evaluations, and program audits of the Inspector General, all of which should be abolished for USAID programs. These field impact evaluations when CDIE run the function were the norm before the overhaul of the business systems in the 1990‘s. Congress should approve the House and Senate foreign aid reform bills, which reestablish the centrality of evaluation in aid programs, a function which I believe should be located in the OIGs office to keep it independent but staffed by development evaluation experts not auditors.

More research. While this paper has focused on the perverse effects that the clash of development and the counter-bureaucracy has had on good development practice, my analysis should not be interpreted as an argument for abolishing the compliance function, or evaluation, and monitoring, when done properly. Herb Beckington was right on one point; the environment in which foreign aid money is

spent—in developing countries with weak or non-existent institutions—is full of risk and uncertainty. Oversight is essential, but the nature of the incentive structure for career development officers built into that oversight is another matter. When compliance becomes the primary mission of an aid agency and drives programming, rather than serving a subordinate, supplemental function to the overall development and humanitarian response mandate, then something is wrong with the system. When the obsessive measurement disorder shuts down transformational development programs which build institutions and encourage policy reform because they cannot produce quantitative results in some quarterly reporting system, the oversight system has become dysfunctional.

The command and control system for foreign aid programs is out of control and it is unclear who is in command of it: it is uncoordinated and undisciplined; driven by a set of dysfunctional regulatory incentives which focus oversight on the wrong issues; done in a highly politicized setting; and, has become a major impediment to aligning good development practice with the best research on good development theory. At one point the GAO, OIG, and SIGIR were all conducting simultaneous evaluations of USAID capacity building efforts in Iraq. Is that a good use of taxpayer money? Three separate evaluations of the same programs? This is not because any of the counter-bureaucracy is administered in bad faith, or punitively, or that the employees are not carrying out their duties properly. Instead it is because the architecture of the oversight system, like much of the federal government, has been designed incrementally, over decades by successive President‘s and a dozen congressional oversight committees which have not given enough consideration to the cumulative impact on the management of the U.S. foreign aid program. When the aid program was relatively small, perhaps this did not much matter, but with the Bush Administration having increased foreign aid by

150%, the Obama Administration on the way to doubling foreign aid again, and with the implementation of large-scale aid programs in war zones, where vital national interests are at risk, it does matter.

A comprehensive review should be undertaken by the Congress of the cumulative affect of overregulation of foreign aid programs by the counter-bureaucracy and what can be done through regulatory and statutory reforms to simplify, streamline, and rationalize a system with huge hidden costs associated with it. The problem of aid overregulation is not well studied. I have not found any research or writing on the effect of the compliance function on our aid programs in think tank, academic, or government studies. Thus, it seems to me that the problems this system has created are little understood, except at the working level of aid officers both in USAID and the MCC, as well as in aid partner organizations, which must cope with the consequences of the system. The HELP Commission on reforming foreign aid was completely silent on the matter.

The reform of foreign aid now contemplated in Washington will fail unless this broken oversight function is reformed because so much of what ails the U.S. government aid program is driven by it. While some reforms can be taken at the margins within USAID‘s current legal authority, most require statutory and regulatory changes outside the Agency‘s (or the State Department‘s) control. Neither Congress, the White House, nor the counter-bureaucracy has made a serious attempt to adjust federal oversight of aid programs to U.S. national security requirements. They should now. Congress has, for example, exempted from Federal Acquisition Regulations all DOD aid programs funded through the Provincial Reconstruction Teams (the so-called CERP funds); they have not done so for USAID programming in war zones.

Reducing the Layers of Oversight and Regulation. Oversight is here to stay regardless of the perverse consequences of its excesses. But any reform would have to begin with the Congressional oversight of foreign aid management. The multiple layers of aid regulation, oversight, and control are a function of too many congressional committees with contradictory policy perspectives in conflict with each other. Applying the regulatory oversight frameworks used for domestic agencies to foreign aid programs is destructive to good development practice. Developing country businesses, colleges, governments and local non-governmental organizations can not comply with U.S. federal regulatory law because they are simply too complicated and too onerous (they are bad enough for American institutions). If policymakers want more programs implemented through local—public, civil society, or private—institutions, a much less complex, more simplified regulatory structure (for example the FARS can not be used for expanding contracting with developing world companies—it is oppressively complex) must be put in place, and that can only be done if Congress agrees to it and forces the counter-bureaucracy to make that distinction.

Measuring foreign policy results. Critics of U.S. foreign aid have long argued that it has failed on three counts: not connecting aid with U.S. foreign policy objectives, moving too slowly to implement programs, and not producing measurable results. It may not have occurred to these critics, but these objectives are mutually exclusive demands. Political aid programs frequently do not produce good development results because they ignore both good development practice and theory; they have other objectives, which make diplomatic and military sense, but not much else. Political aid programs are not going away any time soon because they are needed to carry out U.S. foreign policy, but they ought to be judged using very different standards than traditional development aid programs.

USAID should develop, with Congressional assent, politically based evaluation standards for aid programs in war zones or where U.S. foreign policy interests are of central importance. Examples of such situations include Iraq, Pakistan, Yemen, the West Bank, Gaza, and Afghanistan, where the Defense and State Department micro-manage aid programs for purposes that are unrelated or counter-productive to good development theory or practice. These are political, not development, aid programs and should be judged by whether they win hearts and minds, attract the support of particular warlords or political factions, prop up fragile allies, or send diplomatic messages. We should stop applying development performance standards to these programs, and dispense with the polite pretense that they are development programs at all. Development professionals have little control of how they are designed, implemented, or managed. We should judge them for what they are.

The End of Time-based Measurements. Using program spending or disbursement rates to judge the success of aid programs, whether by OMB, GAO, OIG or Congressional oversight committees, undermines the ownership and sustainability principles that have long been central to good aid practice. The regulator‘s assumption that appropriated aid money is not being spent quickly enough, and thus is being poorly managed, misses the point of good development practice. This kind of work cannot be done easily or quickly, if it is to be effective. Moreover, it requires a much longer time line to achieve results when the institutions of the recipient countries are weak or non-existent. Disbursement rates should be used sparingly as a means for judging aid programs. The weaker or more fragile a state, the longer the time lag will be in showing program results, and allowances must be made for this lag in evaluations.

Aligning programs with organizational incentives. If policymakers and aid reformers actually wish to improve the design, management, and results of aid programs they should consider a much more radical approach than the centralized, command and control systems which have produced limited and in some cases counter-productive results as I have argued in this article. One reform which would yield much more productive results than the current system would be to do what James Q. Wilson proposes when he states that, ~~"~~in general, authority should be placed at the lowest level at which all essential elements of information are available."[83]

Essentially, USAID should decentralize aid programming and decision-making to the lowest possible organizational level where officers have the greatest knowledge of what is happening on the ground (until the reorganization of foreign aid in 2005 USAID was by far the most decentralized of all bilateral and multi-lateral aid agencies). In fact, a 2005 study confirmed this observation, showing that the USAID business model delegated far more authority to field managers than those of the World Bank, the EU, DFID, and UN and was able to disburse funds much more quickly than these other more centralized aid agencies.[84]

I suggest that only direct hire aid officers with advanced technical expertise should design projects and programs (now contractors design them), the length of which should be coterminous with the designing officer's assignment in the country where the project is being implemented. Moreover, that designing officer should manage the project to its conclusion. At the end of the project an impact evaluation would be done that should be included in the personnel evaluation of the responsible officer and be used to determine promotions and annual salary

bonuses. These field evaluations would have to identify factors that were beyond the control of the aid officers. The officers would have to have much greater mobility to visit projects outside their imprisonment in USAID and U.S. Embassy compounds, caused by the draconian security measures required by the Embassy Security Act of 1998.[85] This reform would align program design and management with the personnel system and incentive structure of the agency (and would require amendments to the Foreign Service Act). Other process heavy systems required by the counter-bureaucracy would have to be scaled down or eliminated wholesale.

If policymakers wish to strengthen the technical side of USAID's staff, they might consider also amending the Foreign Service Act, to lengthen the number of years of service from 20 to 30 required before an officer can retire and collect a pension, so that the Agency can retain career officers with technical expertise for much longer periods of time. The short length of service for retirement has been a major factor in the decline of the technical capability of the Agency over the past several decades. Many technical officers are forced into retirement against their own wishes because of the antiquated federal law and which applies equally to all federal Foreign Service officers. Perhaps as a less radical change Congress could extend the time of service pension eligibility requirements for technical disciplines, as opposed to management or compliance personnel, as an incentive to keep them in the personnel system for longer periods of time. Congress might also consider funding all USAID technical specialists (with advanced degrees) out of the program budget, instead of the USAID operating expense budget which is seldom funded properly, which will create an incentive to hire more technical program specialists.

Finally, policymakers need very easily defended and summarized reporting metrics to satisfy their demand for evidence that aid programs work—in essence, the outputs must be easily explained to defend programs to skeptical constituents. Professional aid officers, on the other hand, require much more detailed and in depth analyses of their programs that no one outside the development discipline have the time or disposition to read. Neither the World Bank nor most bilateral aid agencies produce the simple metrics to defend programs against critics. We have acted as though these two different reporting requirements are the same.

PEPFAR has taught us that aid politics demands one set of metrics and development practice another; two and a half million people are reportedly on anti-retrovirals and thus their lives have been saved. When Dr. Norman Borlaug, the architect of the Green Revolution, died his obituary reported that he saved 300 million people‘s lives through his research and agricultural programs. That is a public metric that works. Unfortunately, that success could only be reported four decades after Dr. Borlaug received his 1970 Nobel peace prize, as it took that long for all of those people to be saved by his efforts. Finding simple explanations for which aid programs are successful will help satisfy policymakers‘ needs for this type of summarized data. Excellent books have recently been produced by the Center for Global Development on successful health programs and by the International Food Policy Research Institute (IFRI) on successful agriculture programs. More of these types of books should be written, with more focused attention paid to the importance of institution building in these sectors.

I started this paper with a quote from British history; let me end with another one. T. E. Lawrence (of Arabia) wrote in his celebrated memoir *Seven Pillars of Wisdom* about his exploits organizing Arab desert tribes against their colonial

masters—the Ottoman Turks—who had sided with Germany and the Austro-Hungarian Empire in World War I: –Better to let them (the Arabs) do it imperfectly than to do it perfectly yourself, for it is their country, their way and your time is short." Why don't we take Lawrence's advice in our aid programs since it comports well with development theory and indeed, in his case, history? The simple answer is that the politics of the regulatory apparatus of the U.S. government—however you wish to characterize it, whatever its historic roots may be, and however well intentioned the public administrators who run it may be—will not allow it. Most experienced development professionals in aid agencies know Lawrence is right both from their own years of field experience and from voluminous research over decades, but they have been forced by countervailing institutional pressures to construct systems which violate all of T.E. Lawrence's prescient words.

Let me conclude with one simple question asked in a different form by the Duke of Wellington. Do Washington policymakers wish USAID, PEPFAR, and the MCC to implement serious development programs or comply with the demands of the Regulatory Lords of Washington? They cannot do both. Unless some special regulatory and oversight relief is afforded the foreign aid program of the US government where ever it is housed, what ever it is called, and how ever it is organized, the program will be unable to bridge the growing gap between good development theory and current development practice, constrained as it is by the counter-bureaucracy, and its long term viability will continue to be compromised.

[1] Colin Powell refers to this quotation, from a letter purportedly written by the Duke of Wellington while on the Peninsular Campaign, in his iconic biography, *My American Journey*.
[2] North, Haven. (Interviewer) & Nena Vreeland (Interviewee). (1998). *Oral History* [Interview transcript]. Retrieved from The Foreign Affairs Oral History Collection of the Association for Diplomatic Studies and Training Web site: http://memory.loc.gov/ammem/collections/diplomacy/.
[3] This is one of several reasons why the so-called ―whole of government approach" to international development and nation building attempted by the Pentagon during Iraq and Afghan reconstruction, by both the Bush Administration and now the Obama administrations (indeed the Obama Administration seems to be extending this whole of government approach to development to our aid programs world wide), is inappropriate. In the early days of USAID in the 1960's and 1970's one of the principal means it used of implementing programs was through other US domestic agencies and departments—it was phased out because it was so broadly ineffective and often led to project failure.
[4] Wilson, James Q. (1991). *Bureaucracy: What Government Agencies Do And Why They Do It.* New York: Basic Books, 163.
[5] Wilson, James Q. (1991). *Bureaucracy: What Government Agencies Do And Why They Do It.* New York: Basic Books, 165-166.
[6] Wilson, James Q. (1991). *Bureaucracy: What Government Agencies Do And Why They Do It.* New York: Basic Books, 168.
[7] Wilson, James Q. (1991). *Bureaucracy: What Government Agencies Do And Why They Do It.* New York: Basic Books,161.
[8] Wilson, James Q. (1991). Bureaucracy: What Government Agencies Do And Why They Do It. New York: Basic Books, 161.
[9] When referring to speed within the context of the hard and soft sciences, I do not refer to research, as I recognize that it may take years to produce a vaccine to combat a certain disease. I refer only to the speed at which proven scientific interventions produce results.
[10] Veillette, Connie. (2007). *Foreign Aid: Issues for Congress and Policy Options*. Congressional Research Service (CRS) Report for Congress. p.11.
[11] As Laurie Garrett points out in The Challenge of Global Health (2007), the top three killers in most poor countries are maternal death during and after childbirth, pediatric respiratory and intestinal infections leading to death from pulmonary failure, and diarrhea. ―But few women's rights groups put safe pregnancy near the top of their list of priorities, and there is no dysentery lobby or celebrity attention given to coughing babies."
[12] Epstein, Susan B., Kennon H. Nakamura, and Marian Leonardo Lawson. (2009). *State, Foreign Operations, and Related Programs: FY2010 Budget and Appropriations*. Congressional Research Service (CRS). Report for Congress. Retrieved from: http://www.fas.org/sgp/crs/row/R40693.pdf.
[13] The United States Department of State. (2010). *FY 2011 Congressional Budget Justification Volume 2 – Foreign Operations*. Retrieved from: http://www.state.gov/documents/organization/137936.pdf. & *FY 2011 Congressional Budget Justification – Foreign Operations Annex: Regional Perspectives*. Retrieved from: http://www.state.gov/documents/organization/137937.pdf.
[14] The United States Agency for International Development (2008). *MCH Program Description: Afghanistan*. Washington DC: USAID. Retrieved from: http://pdf.usaid.gov/pdf_docs/PDACN951.pdf.
[15] More specifically, the study found that for every 10 million additional dollars of U.S. democracy assistance in 1995 dollars (roughly the equivalent of 11.8 million in 2004 dollars), a country is predicted to be .25 units, or one-quarter of a point higher on the Freedom House general democracy index in a given year. In the Polity IV model, ten million dollars in DG obligations increased the index by about 4/10 of a point.
[16] Steven E. Finkel, Aníbal Pérez-Liñán, Mitchell A. Seligson and Dinorah Azpuru. (2006). Effects of U.S. Foreign Assistance on Democracy Building: Results of a Cross-National Quantitative Study (version #34). Retrieved 3 November 2009 from: http://www.usaid.gov/our_work/democracy_and_governance/publications/pdfs/impact_of_democracy_assistance.pdf, p. 3.
[17] The Integrity and Effectiveness of the Offices of Inspector General. 102, Second, pp. 31; 79 (1992, May 20) (testimony of Herbert Beckington).

[18] Sullivan, Patricia. (2007 November 14). General Herbert L. Beckington, 87; USAID Official. *The Washington Post*. B07.
[19] Kamen, Al. (1991 May 7). AID Chief Hopes to Sell Agency‘s Reform to Senate Panel. *The Washington Post*, pp. A18.
[20] Ken Schofield, personal communication, 5 May 2010.
[21] Seper, Jerry. (1992 June 12). AID inspectors accused of fraud and death threat. *The Washington Times*, pp. A6.
[22] Frederick Shieck, personal communication, 20 January 2010.
[23] Seper, Jerry. (1992 June 12). AID inspectors accused of fraud and death threat. *The Washington Times*, pp. A6.
[24] Gormley, William T. (1996). Counterbureaucracies in Theory and Practice. *Administration & Society*, 28(3), 276.
[25] Wilson, James Q. (1991). *Bureaucracy: What Government Agencies Do And Why They Do It*. New York: Basic Books, 259-260.
[26] Amadae, S.M. (2003). *Rationalizing Capitalist Democracy: The Cold War Origins of Rational Choice Liberalism*. Chicago: University of Chicago Press, 70.
[27] Breul, Jonathan. (2010). "PART: Program Assessment or Power Grab?" in *Evaluation: Seeking Truth or Power?* to be published by Transaction Publishers in 2010 as Vol. 17. in its Comparative Policy Evaluation Series.
[28] Powell, Colin with Persico, Joseph. (1996). My American Journey. New York: Ballantine Books, 103.
[29] Amadae, S.M. (2003). *Rationalizing Capitalist Democracy: The Cold War Origins of Rational Choice Liberalism*. Chicago: University of Chicago Press, 75.
[30] Breul, Jonathan. (2010). "PART: Program Assessment or Power Grab?" in *Evaluation: Seeking Truth or Power?* to be published by Transaction Publishers in 2010 as Vol. 17. in its Comparative Policy Evaluation Series.
[31] Breul, Jonathan. (2010). "PART: Program Assessment or Power Grab?" in *Evaluation: Seeking Truth or Power?* to be published by Transaction Publishers in 2010 as Vol. 17. in its Comparative Policy Evaluation Series.
[32] Breul, Jonathan. (2010). "PART: Program Assessment or Power Grab?" in *Evaluation: Seeking Truth or Power?* to be published by Transaction Publishers in 2010 as Vol. 17. in its Comparative Policy Evaluation Series.
[33] Carman, J.S., Fredericks, K.A., & Introcaso, D. (2008). *Government and Accountability: Paving the way for nonprofits and evaluation*, p. 8. In J.G. Carman & K.A. Fredericks (Eds.), *Nonprofits and evaluation. New Directions for Evaluation*, 119, 5-12.
[34] Email dated May 13, 2009 from a USAID officer who worked on the rural reconstruction program in Afghanistan for two years coordinating with the US military.
[35] Stephens, Joe and David B. Ottaway. (20 November 2005). A Rebuilding Plan Full of Cracks. *The Washington Post*. Retrieved on 10 March 2010 from: http://www.washingtonpost.com/wp-dyn/content/article/2005/11/19/AR2005111901248_2.html.
[36] Moore, M.H. and Gates, M.J. (1986) *Inspectors-General: Junkyard Dogs or Man's Best Friend*. New York: Russell Sage Foundation, 10.
[37] These offices are located in Cairo, Egypt; San Salvador, El Salvador; Baghdad, Iraq; Manila, Philippines; Dakar, Senegal; and Pretoria, South Africa.
[38] USAID Inspector General. (2009). Retrieved 15 October 2009, from http://www.usaid.gov/oig/.
[39] Clinton, William J. (1996, 27 January). 'The era of big government is over.' Retrieved transcript from: http://www.cnn.com/US/9601/budget/01-27/clinton_radio/.
[40] I am grateful to Jon Breul of the IBM Center for the Business of Government for his extensive research in this area.
[41] Breul, Jonathan. *How the Government Performance and Results Act Borrows from the Experience of OECD Countries*. (1996). In P. Weller and G. Davis (Ed.), *New Ideas, Better Government*. Sydney: Allen & Unwin (1996), 1.
[42] National Performance Review of Vice President Al Gore. (1996). *Reaching Public Goals: Managing Government for Results. A Resource Guide.* Retrieved 13 October 2009 from: http://govinfo.library.unt.edu/npr/library/papers/bkgrd/cover.html.
[43] Breul, Jonathan. *How the Government Performance and Results Act Borrows from the Experience of OECD Countries*. (1996). In P. Weller and G. Davis (Ed.), *New Ideas, Better Government*. Sydney: Allen & Unwin (1996), 1.
[44] Phillis Forbes, personal communication, 20 February 2009.
[45] The Assault on AID. February 28, 1995. OP-ED; A19, ED The Washington Post.
[46] Kamen, Al. (1991 May 7). AID Chief Hopes to Sell Agency's Reform to Senate Panel. *The Washington Post*, pp. A18.

Carter, Tom. (2001 January 12). Helms calls for USAID to be shut down.: Favors foreign aid by way of faith groups. *The Washington Times*. Retrieved from: http://www.netnomad.com/helms2.html.

[47] Ellig, Jerry. (2000). *Performance Report Scorecard: Which Federal Agencies Inform the Public?* Arlington, VA: Mercatus Center at George Mason University. Retrieved 15 October 2009 from: http://www.mercatus.org/uploadedFiles/Mercatus/Publications/MC_GAP_ScorecardFY99_000503.pdf.

[48] Phillis Forbes, personal communication, 20 February 2009.

[49] Jonathan Breul, personal communication, 2 March 2009.

[50] Hirschmann, David (2002). Thermometer or sauna? Performance Measurement and Democratic Assistance in the United States Agency for International Development. 80(2), 236.

[51] United States General Accounting Office (GAO). (1998). _USAID's reengineering at overseas missions GAO/NSIAD-97–194.' The International Journal of Technical Cooperation, 4, 1, 138. (US GAO 1998, 138).

[52] Hirschmann, David (2002). Thermometer or sauna? Performance Measurement and Democratic Assistance in the United States Agency for International Development. *Public Administration*. 80(2), 236.

[53] Hirschmann, David (2002). Thermometer or sauna? Performance Measurement and Democratic Assistance in the United States Agency for International Development. *Public Administration* 80(2), 236.

[54] Brian Atwood, personal communication, 10 February 2009.

[55] United States General Accounting Office (GAO). (1996). *Foreign Assistance: Status of USAID's Reforms* (GAO/NSIAD-96-241BR). Washington, DC: GAO. Retrieved from: http://www.gao.gov/archive/1996/ns96241b.pdf.

[56] The commonly accepted wisdom within USAID is that Larry Byrne's (effectively the Agency's chief operating officer, a Clinton Administration political appointee) mismanagement of the installation of the new financial management system in the 1990's lead to massive cost over runs which caused the layoffs because OMB refused to put in the federal budget the operating expense money needed for the new system, so career staff were laid off to pay for it. After examining the larger context of the Reinventing Government Initiative, I have concluded that the driving force behind the layoffs was not Byrne's mismanagement, however real it was, but the demands of the initiative itself which required federal agencies and departments to contract out and reduce their permanent workforces.

[57] Jonathan Breul, personal communication, 14 November 2008.

[58] Butterfield, S. *U.S. Development Aid—An Historic First*. (2004). Westport, Connecticut: Praeger, 222.

[59] Brian Atwood, Andrew Natsios, & Peter McPherson. (2008, November/December). Arrested Development: Making Aid an Effective Foreign Policy Tool. *Foreign Affairs*. 87(6), 10.

[60] Butterfield, S. *U.S. Development Aid—An Historic First*. (2004). Westport, Connecticut: Praeger, 15.

[61] This quotation, from a speech given by then Governor Bush in Philadelphia, PA, on June 9, 2000, is excerpted in the President's Management Agenda: FY 2002 (OMB 2001, 27) and appears frequently in related publications.

[62] Matthew Dull. (2006). Why PART? The Institutional Politics of Presidential Budget Reform. *Journal of Public Administration Research and Theory*, 16. p. 204-205.

[63] Daniels, Mitchell E., Jr. 2001. Confirmation hearing on OMB director-designate Mitchell E. Daniels. Senate Committee on Governmental Affairs, S. Hrg. 107-4, 19 January 2001.

[64] Radin, Beryl. (2006). Challenging the Performance Movement: Accountability, Complexity, And Democratic Values. Washington, D.C.: Georgetown University Press, 108.

[65] Matthew Dull. (2006). Why PART? The Institutional Politics of Presidential Budget Reform. *Journal of Public Administration Research and Theory*, 16. p. 187.

[66] Matthew Dull. (2006). Why PART? The Institutional Politics of Presidential Budget Reform. *Journal of Public Administration Research and Theory*, 16. p. 207.

[67] See Aaron Wildavsky's *The New Politics of the Federal Budgetary Process*.

[68] Ken Schofield, personal communication, 4 March 2010.

[69] Senator Robert Menendez, *USAID in the 21st Century*. Senate Committee on Foreign Relations, 1 April 2009.

[70] George W. Bush. (2003 January 29). *Bush's State of the Union speech*. Retrieved from: http://www.cnn.com/2003/ALLPOLITICS/01/28/sotu.transcript/.

[71] Government Accountability Office. (2008). *A More Country-Based Approach Could Improve Allocation of PEPFAR Funding* (GAO-08-480). Washington, DC: GAO. Retrieved from: http://www.gao.gov/new.items/d08480.pdf.

[72] Garrett, Laurie. (2007) The Challenge of Global Health. *Foreign Affairs*, January/February 2007.

[73] *Transformational Diplomacy: Remarks at Georgetown School of Foreign Service*, Secretary Condoleezza Rice, 18 January 2006.

[74] As Carole Lancaster writes in President Bush's Foreign Aid: Transformation or Chaos? (2008), the Director of U.S. Foreign Assistance would have the rank of deputy secretary of state and report directly to the Secretary of State. The director would also be responsible for "better aligning foreign assistance with foreign policy goals" and 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. Finally, the director would have "coordinating authority" over other U.S. aid programs—the MCC and the other aid programs located in over 20 other federal departments and agencies.

[75] Rice did ask me privately as I was leaving office for a list of names of people who could run USAID and organize the foreign aid reforms she had at the top of the agenda: my list included eight names one of which was Randall Tobias.

[76] This comment comes from the career head of evaluation at the Development Assistance Committee of the OECD in Paris, a New Zealander, who asked me how well CDIE was doing when I interviewed him and his staff for this book. When I told him the office had been abolished he was shocked, as explained that for two decades its evaluations were required as the "gold standard" for evaluations in the international system. I remember the detailed assessment impact reports they used to produce which were based on extensive cross country field research, not quantitative measures.

[77] Kenneth Schofield, Personal Communication, 14 January 2010.

[78] Wilson, James Q. (1991). *Bureaucracy: What Government Agencies Do And Why They Do It*. New York: Basic Books, 161.

[79] Wilson, James Q. (1991). *Bureaucracy: What Government Agencies Do And Why They Do It*. New York: Basic Books, 171.

[80] Jack Lew, the Deputy Secretary of State for Resources as of this writing who controls the USAID budget, is the former OMB Director under Clinton who helped implement the Reinvention of Government initiative in the 1990's. Several other OMB senior staff have been transferred to the F Office by the Clinton State Department.

[81] Gaza E-Consulate (2009). U.S. Provides $200 Million in Budget Support to Palestinian Authority. Retrieved 16 October 2009 from http://gaza.usvpp.gov/pr072409.html.

[82] General Budget Support, OECD DAC. (2009). Retrieved 16 October 2009 from: http://stats.oecd.org/qwids/#?x=6&y=1&f=3:210,4:1,5:4,2:1,7:1&q=3:51,210+4:1+5:4+2:1+7:1+6:2008,2007,2006,2005,2004,2003,2002,2001,2000,1999,1998,1997,1996,1995,1994,1993,1992,1991,1990,1989,1988,1987,1986,1985,1984,1983,1982,1981,1980,1979,1978,1977,1976,1975,1974,1973,1972,1971,1970,1969,1968,1967,1966,1965,1964,1963,1962,1961,1960,G1+1:24.

[83] Wilson, James Q. (1991). *Bureaucracy: What Government Agencies Do And Why They Do It*. New York: Basic Books, 372.

[84] A 2005 study, by USAID/Senegal, looked at aid absorption and the methods used by several aid agencies, including the World Bank, USAID, the EU, CIDA, JICA, the African Development Bank, and others, to disburse funds. That study concluded that, "donors who delegate more…decisions to field-based offices show a higher average disbursement rate than those who delegate fewer." The irony of this study is that it determined that the quickest way to disburse funds—through decentralized means—is not the method supported by the counter-bureaucracy, which constantly complains about the slow disbursal of funds. Ultimately, the counter-bureaucracy pushes USAID towards a top-down, large-NGO/contractor-focused dispersal of funds, which in turn slows the counter-bureaucracy's cherished "burn rate." Retrieved from: "Senegal MCA Jumpstart Exercise Completion Report,'' January 2005, USAID Senegal (sub-
mitted to GAO March 2005).

[85] For a more in-depth analysis of the problem of Embassy and USAID mission isolation see my article in the *Weekly Standard,* "American Fortresses" Volume 011, Issue 34 , 22 May 2006.