

A Cabinet-level Development Agency

Right Problem, Wrong Solution

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EXECUTIVE SUMMARY

Several groups and individuals have called for a separate cabinet-level department of global development to place U.S. foreign assistance in one place removed from the Department of State. They do so for three reasons: first, to redress the fragmentation of foreign assistance throughout the U.S. government, but especially among different parts of the Department of State; second, to elevate the status of assistance relative to diplomacy and defense in the U.S. national security strategy; and third, to address the debilitation of the U.S. Agency for International Development (USAID) by replacing it. These concerns are real enough and serious, but the proposed new department is not the best solution. It brings more costs than benefits.

Never fully integrated in the first place, the fracturing of foreign assistance between various departments and within them (especially within State) grew substantially with the end of the Cold War. Many departments, agencies, and units responded to requests for assistance by the reformers of Central Europe and then by those of the newly independent states of the former Soviet Union. They were allowed to do so without respect to how the assistance elements fit together. The fragmentation expanded under the George W. Bush administration, which was also the architect of the new national security strategy under which development took a more equal place alongside diplomacy and defense. By now, foreign assistance has become almost hopelessly fractured, tangled, and uncoordinated. To her credit and notwithstanding her earlier contribution to the fragmentation, Secretary of State Condoleezza Rice recognized the problem and invested considerable time and political capital in addressing it. She created a new position at State, the director of foreign assistance (DFA); gave the DFA the informal rank of deputy secretary; made the administrator of USAID the dual-hatted incumbent of that position (thereby further integrating USAID into the State Department); redefined State's mandate as transformational diplomacy (by which it would not merely represent U.S. interests to foreign governments but also work self-consciously to "transform" the countries themselves); and created a new matrix into which all foreign assistance (at least within the International Affairs Budget) would be allocated—the so-called F process—to help implement transformational diplomacy. The Rice reforms have substantial, fundamental dysfunctions, both in conception and in execution. The proposal to create a new unified cabinet-level department of global development is an alternative to that inadequate attempt, but it reflects as well a more fundamental concern to separate foreign assistance from the other elements of foreign policy, and to do so by removing it organizationally from State.

However, notwithstanding the perspicacity of the concerns animating the alternative proposal—reversing fragmentation, increasing the status of foreign assistance, and abandoning the attempt to revive USAID—its weaknesses outweigh its strengths. It suffers from at least five weaknesses.

First, foreign assistance is inherently tied to foreign policy, at least in the United States, and overcoming fragmentation is best accomplished by retaining the intimate connection with State,

notwithstanding the problems associated with that connection. Second, foreign assistance needs State's support. Third, too many parts remain excluded, even under the proposed unification. Fourth, a new department would complicate substantially the process for agreeing on trade-offs between program and policy alternatives and settling disagreements about what assistance should be provided and what policies should drive funding and programming decisions. Fifth, the plan is politically improbable—too costly politically and too low on the list of policy priorities—and therefore a diversion of energy from what is both possible and important.

Foreign assistance is inherently tied to foreign policy, at least in the United States, but among almost all of the other national donors as well. Overcoming fragmentation is better accomplished by consolidating assistance within a more independent USAID, but keeping USAID within the State family, despite the problems associated with that connection. The proponents of a new, fully independent department reject that view. They are concerned that keeping assistance within State's orbit continues the subordination of foreign assistance resources to other foreign policy interests. In particular, they believe that the long-term focus and constancy necessary for good development assistance is perverted by short-term, sometimes unsavory diplomatic purposes. But the fact is that foreign assistance is appropriated by Congress into a variety of accounts. The accounts directly linked to foreign policy objectives are more than twice the size of the Development Assistance account. Most of the largest foreign assistance disbursements have been made primarily for foreign policy, not for developmental reasons, and not just in the United States. No doubt, substantial amounts of foreign assistance funds, perhaps too many, are tied to diplomatic purposes, including short-term ones. Little if any of that will change because of the organizational architecture of the executive branch, especially when the president is a party to the foreign policy uses of assistance. The reasons go deeper than organization, though it is true that organization could make a difference at the margins if there were an independent defender of long-term development turf. However, if the purpose of the proposal is to shift the balance and purposes of foreign assistance appropriations to the Development Assistance account, that argument will need to be made head-on with Congress and the administration, not hidden behind a proposal for a new cabinet department. Moreover, some of the most troublesome fragmentation of foreign assistance lies within State itself, in which a proliferation of special funds and programs have been allocated to various offices, bureaus, and coordinators. That fragmentation lies squarely within the authority of the secretary of state to rectify. Indeed, without the secretary's support, it is unlikely to be redressed.

Second, as a practical matter, foreign assistance needs State's support. Diplomacy is often asked to serve assistance, not just the other way around. Ambassadors frequently intervene to support assistance goals, reforms, programs, and especially assistance providers. They do so with the host governments and also with other bilateral and multilateral donors. Those interventions can make an enormous difference. Ambassadors take their primary instructions from the secretary of state, not primarily from other departments, especially not from what would be an inherently weaker department. Moreover, if proponents of foreign assistance have welcomed the new national security structure in which development is part of a triad of resources along with defense and diplomacy, they cannot simultaneously insulate and isolate assistance from the calculations of national security.

Third, too many parts of foreign assistance would probably remain excluded from the new department, even under the proposed unification. Unless the establishment of a new department also included not just a reallocation of funds but a wrenching reversal of the current organizational fragmentation, both within the State family and within the U.S. government as a whole, it would

result in a separate but weak development department consisting almost entirely of programs funded by the relatively small Development Assistance account. The foreign assistance programs of the Departments of State, Justice, Commerce, Energy, and Labor (indeed virtually every department), the growing role of the Department of Defense, and the many independent entities (like the Millennium Challenge Corporation and the President's Emergency Program for AIDS Relief), to say nothing of U.S. representation to and the policies of multilateral donors like the international financial institutions, would probably remain exactly where they are, outside the proposed new department.

Fourth, for all these reasons, a new department would complicate further the process for agreeing on trade-offs between program and policy alternatives, and for settling disagreements about what assistance should be provided and what policies should drive funding and programming decisions. With a new department charged with keeping foreign assistance pure, differences with other assistance-providing departments would probably increase, and more of them would be escalated into interagency issues and settled through a more cumbersome interagency process, ultimately the National Security Council. Ironically, it may well be better for development itself to have the secretary of state as an ally defending its goals as his/her own, even when they compete with other U.S. interests. Better that the secretary of state internalize the development costs of an alternative decision. Better, as well, to have "transformational development" as a guiding principle for ambassadors and reinforced by State.

Fifth, the plan is politically improbable—too costly politically, too low on the list of policy priorities—and therefore a diversion of energy from what is both possible and important in reforming U.S. foreign assistance. An administration confronted by a financial meltdown, a recession, increased unemployment, major needs in a variety of domestic programs, two wars, and many other foreign policy challenges is not likely to want to spend the time on a cabinet reorganization for development let alone use its political capital for that purpose.

It is true that the proposal for an independent development agency would elevate the status of foreign assistance within the U.S. government and with foreign donors. But most of them too are components of their foreign ministries, and the elevation would have little concrete practical significance because the cabinet has not for decades been a place in which policy is set or differences of policy are debated and resolved. The symbolic advantages of elevation would not offset the costs of separation, without a truly wholesale reintegration of assistance under the new department. And creating a new assistance department would not resolve the debilitation of USAID. It would just move it to a new venue. USAID definitely needs substantial reinvigoration and reforms of various kinds, most of them fundamental, but the answer is to reinvigorate and reform USAID, not dress it up in a new outfit.

The better, more probable course is to attend to the problems that can be solved in the present structure by revising that structure, ending the continuing fragmentation, reversing it within at least the State family, and reinvigorating and reforming USAID (and most certainly the F process, if it is retained). First, there should be a near-ironclad bar on the design and implementation of foreign assistance programs by the bureaus and offices of State. The proliferation of programs and additional offices to implement them should be stopped unless there is a *compelling*, not just *plausible* or even *appealing*, reason for adding another one. True need, not inclination, should be the standard. Adding an office may seem desirable in any individual case, but it is burdensome to accomplish and is undesirable in the aggregate. Second, the constant reorganization of bureaus and offices within the State family, particularly within USAID, should end. The penchant of senior

officials at State and USAID officials to leave their marks by adding programs and reorganizations should be resisted and reversed. They should resist their own inclinations and the entreaties of others to do so. Third, instead, they should attend as a first priority to the prosaic but critical dysfunctions of procurement, personnel, and legal interpretation. Attending to them is not glamorous but necessary. These are the logistics without which no organization can deliver good foreign assistance. Fourth, a robust policy function, eviscerated by the penultimate USAID administrator, should be restored. Fifth, the rich discussions between the field and Washington should be reestablished in contrast to the accountancy mentality that lies beneath the misguided hyper-centralizing F process, which was itself designed in part to deal with the obvious problem of fragmentation. The list of important problems could go on, but none of them would be solved primarily by a new separate cabinet-level department, which would itself be accompanied by a host of additional problems. Their solution depends far more on a committed secretary of state and subordinate officials than on yet another structural reorganization.

Ultimately, however, the debate over structure is really a debate over philosophy. What kind of foreign assistance program should the United States have and on what principles should it be based? If it is primarily about humanitarian relief and the transfer of funds, perhaps a small separate development department could work. If it is about broader purposes, including sustainable poverty reduction, economic growth, trade, health, democracy, conflict avoidance or mitigation, transnational threats, and broader U.S. foreign policy and national security, then it would be better placed in an organizational structure connected to the Department of State, which has the organizational lead on many of these issues. It would be unwise to create two departments, one for the first set of objectives and another for the broader set. Perhaps the purposes of U.S. foreign assistance would best be served by a separate cabinet-level department, but if so, that decision should be premised on a serious consideration of purposes and principles. Only then should organizational changes be made to reflect them. Structure should follow and reflect philosophy, principles, and objectives. Finally, the reconsideration of principles might usefully include the deeper, more important question about whether foreign assistance has significant effects on development and if so, how much, under what conditions, policies, and programs, and with what organizational form.

A CABINET-LEVEL DEVELOPMENT AGENCY

RIGHT PROBLEM, WRONG SOLUTION

We have reached the point in our presidential rhythm when the flow of memoranda advising the next president on policies and priorities is reaching a crescendo. Hardly a nongovernmental organization (NGO), think tank, ad hoc working group, or college class has failed to weigh in. Alas, the enthusiasm of those providing advice has not yet been reciprocated.

The many organizations and ad hoc advisory panels providing policy guidance include a growing number of working groups on foreign assistance. And within this small but growing set, the call for a new cabinet-level department for foreign assistance is the dominant theme.¹ Although the proposal responds to some obvious, serious, and almost universally acknowledged problems and provides some attractive features, on balance, the recommendation contains more problems than solutions.

Argument for the New Agency

At their respective cores, the arguments in favor of a new cabinet-level development agency come down to two explicit and one implicit one. First, the organization of foreign assistance in the U.S. government has become so decentralized, so fractured that any semblance of coherence and purpose has been lost. Second, by definition, the new department would elevate the status of as-

1. See, for example: *Why the U.S. Needs a Department for Global and Human Development* (Washington, D.C.: InterAction, June 2008), www.interaction.org/files.cgi/6304_Cabinet-level_summary.pdf; *Proposed Major Components and Organization of a Cabinet-level Department for Global and Human Development* (Washington, D.C.: InterAction, June 2008), http://www.interaction.org/files.cgi/6306_Cabinet-level_org_paper.pdf; *Beyond Assistance: The HELP Commission Report on Foreign Assistance Reform* (Washington, D.C.: HELP Commission, December 2007), 75, www.helpcommission.gov/portals/0/Beyond%20Assistance_HELP_Commission_Report.pdf; Modernizing Foreign Assistance Network, *New Day, New Way: U.S. Foreign Assistance for the 21st Century* (Washington, D.C.: Center for Global Development, 2008), <http://www.cgdev.org/content/publications/detail/16210>; Steve Radalet, "Modernizing Foreign Assistance for the 21st Century: An Agenda for the Next U.S. President," Center for Global Development, March 2008, www.cgdev.org/publications/detail/15561; J. Brian Atwood, M. Peter McPherson, and Andrew Natsios, "Arrested Development," *Foreign Affairs* 87, no. 6 (November/December 2008). (Calling for either a separate development agency or a revitalized and more independent U.S. Agency for International Development); Sheila Herrling and Steve Radalet, *U.S. Foreign Assistance for the 21st Century* (Washington, D.C.: Center for Global Development, August 2008), <http://www.cgdev.org/content/publications/detail/16559>; Larry Diamond, "End Foreign Aid As We Know It," *Democracy*, no. 8 (Spring 2008); Lael Brainard, "Organizing Foreign Assistance to Meet Twenty-First Century Challenges," in *Security by Other Means*, ed. Lael Brainard, table 2-2, 33–66 (Washington, D.C.: Brookings Institution Press, 2007). See also the respective testimonies of Leo Hindery, Jr., vice chair of the HELP Commission; and Samuel A. Worthington, president and CEO, InterAction: Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, *A Reliance on Smart Power—Reforming the Foreign Assistance Bureaucracy*, 110th Cong., 2nd sess., July 31, 2008.

sistance to the cabinet level where, the argument goes, it rightfully belongs next to diplomacy and defense. Third, and implicitly, the U.S. Agency for International Development (USAID), formerly an independent agency but now more or less integrated within the Department of State for purposes of budget and policy, is so depleted, so picked apart that no one considers taking the parts back from where they originally came and recreating USAID; better to start over.

Fragmentation

There can be no doubt about the dramatic fragmentation of foreign assistance. The end of the Cold War brought requests for broad assistance from the reformers in Central Europe. Those requests were met by the Clinton administration with equally broad responses from virtually every department and agency in the U.S. government. Although a variety of U.S. government agencies had provided assistance in relatively small measure before 1990, the number of agencies doing so, their budgets, and the areas of programming increased dramatically after 1990. The Clinton administration had not so much a considered approach for dealing with the requests and the enthusiastic responses by its constituent parts as a kind of free market and funding authority for any agency that claimed experience in this or that area—a kind of Smithian division of labor. No one actually thought much about it in the “whole of government” sense now much promoted by those who want an integrated cabinet-level agency. Instead, the requests came from Europe to each department—or were solicited by each department—and each was free to respond.

As a result, many agencies and cabinet-level departments outside of the traditional International Affairs Budget (the so-called 150 Account) controlled by the Department of State have their own development assistance programs, including the Departments of Agriculture, Commerce, Energy, Health and Human Services, Interior, Justice, Treasury, and of course, Defense. In addition, a host of independent agencies and offices also have their own foreign assistance programs, including the Environmental Protection Agency, the Centers for Disease Control, the U.S. Forest Service, the National Science Foundation, the U.S. Patent and Trademark Office, the National Institute of Standards and Technology, and the National Oceanic and Atmospheric Administration. In all, 26 agencies and offices have foreign assistance programs, according to the Senate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia.² Congress appropriates some of these funds directly, but other funds are transferred from the International Affairs Budget by State or USAID.

Compounding the interagency fragmentation are the many new pots of funds created within the International Affairs Budget. Congress itself appropriates foreign assistance through a number of “subaccounts” within the overall 150 Account. One such subaccount is Development Assistance (DA), which bears the hallmarks of true development work. In theory, it supports primarily long-term sustainable development and is allocated to countries in substantial, though not complete, measure because of their developmental needs and their policies demonstrating that the funds will contribute to developmental progress. Economic Support Funds (ESF), roughly twice the size of DA, constitutes a second subaccount.³ Notwithstanding its name, ESF is appropriated not only

2. Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, *A Reliance on Smart Power—Reforming the Foreign Assistance Bureaucracy*, 110th Cong., 2nd sess., July 31, 2008.

3. Although the Support of Eastern European Democracy (SEED) and the Freedom Support Act (FSA) (for the states of the former Soviet Union) accounts are technically separate from Economic Support Funds

for economic assistance but for overtly foreign policy reasons and across a range of programs for overtly foreign policy reasons. Consequently, ESF is under the policy direction of the secretary of state, even when it is implemented by other agencies like USAID.⁴ It is the account out of which funds for foreign policy-based programs to many countries are drawn, although countries can, and many do, receive programs funded by DA and by ESF. Another 10 or so subaccounts exist within the 150 Account in addition to DA and ESF.⁵

During the Cold War, much of the ESF subaccount was used, in effect, to compensate the United States' allies for the use of bases on their territories or for support of one kind or another as against the Soviet Union and its allies. Because the United States asserted that it would not pay rent to allies and would not pay for political or diplomatic support (in effect, national bribes), it provided instead an amount agreed on by both sides but often "projectized" as foreign assistance. After the demise of the Soviet Union, ESF lost some of its purpose and rationale. Instead, various offices at State requested and received ESF for a variety of new "good purposes": some funding went to or augmented regional bureaus and some to functional bureaus for programs like counter-narcotics, women's education and empowerment, and democracy.

The George W. Bush administration dramatically augmented the intra-150 Account proliferation outside the normal processes of both State and USAID. For example, the President's Emergency Plan for AIDS Relief (PEPFAR) is a \$3 billion to \$6 billion/year program technically housed at State under the Office of the U.S. Global AIDS Coordinator (OGAC) but independent for all practical purposes.⁶ The Millennium Challenge Corporation (MCC) operates another multibillion dollar program with a board of directors that includes the secretary of state and the USAID administrator but also the secretary of the treasury and the U.S. trade representative as well as four outside directors. Legally, the MCC is an independent corporation, not a subsidiary part of any U.S. department or agency.

There are other new programs as well in new structures with new operating procedures. For example, many of State's regional and technical bureaus created their own foreign assistance programs or augmented their existing ones. Perhaps most prominent was the Middle East Partnership Initiative (MEPI).

(ESF), I include the SEED and FSA accounts as if they were technically ESF because they are very similar to ESF. For example, the target states are "transitional" not "developmental," the purposes of the accounts are almost identical to ESF, and the State Department has had a much more prominent role in the allocation of these funds than Development Assistance (DA) funds.

4. The distinction between the DA and ESF subaccounts is hardly hermetic. All kinds of political considerations are applied to DA funding. To take the extreme, no matter how development worthy they might be, DA funds would not be used in countries such as Cuba or Libya. Conversely, ESF decisions are not made on purely political grounds either; developmental criteria and judgments are applied when ESF-funded projects are considered.

5. These include the accounts for the Andean Counterdrug Program (ACP); Child Survival (CSH); Foreign Military Financing (FMF); Global HIV/AIDS Initiative (GHAI); International Military Education and Training (IMET); International Narcotics Control and Law Enforcement (INCLE); Migration and Refugee Assistance (MRA); Nonproliferation, Anti-Terrorism, Demining and Related Programs (NADR); Peacekeeping Operations (PKO); and PL 480 (food aid). The list of subaccounts does not include such programs as the Bureau of Education and Cultural Affairs (exchanges, etc.).

6. The United States President's Emergency Plan for AIDS Relief (PEPFAR), "Operational Plans," <http://www.pepfar.gov/about/c19388.htm>. The overall funding has been increasing dramatically. For FY2008, PEPFAR's appropriation from all sources was \$5.98 billion; for FY2007 it was \$3.952 billion; for FY2006 it was \$3.288 billion; for FY2005 it was \$2.719 billion; and for FY2004 it was \$2.311 billion.

Most of these programs could have been housed within USAID, even if they had unusual and segregated funding and operating principles. PEPFAR, MCC, and MEPI were all extensions of what USAID was already doing at a more modest level and could have been assigned to do more robustly, especially if it had the authorities and level of support provided to PEPFAR, MCC, and MEPI.

The devastation of HIV/AIDS was recognized by development practitioners, including those within USAID, well before the George W. Bush administration and PEPFAR. Under Presidents Clinton and George H.W. Bush, USAID was already working on HIV/AIDS. As the placement of the President's Measles Initiative in USAID's Bureau for Global Health subsequently demonstrated, the U.S. government did not need a wholly new and independent organization, PEPFAR, to address a well-known problem.⁷

Similarly, assistance to “outstanding performers”—those that had made tough policy decisions and, as a kind of reward for the difficult choices, could use additional assistance to mitigate the social consequences of those decisions—did not require a new corporation like the MCC outside the existing structure of the U.S. government. With the different authorities and resources provided to the MCC, USAID could have managed the Millennium Challenge Account. Indeed, when the idea of the program was first mooted, several organizational forms were considered for its implementation, including a special unit within USAID. Instead, President Bush created the MCC as a semiautonomous corporation. Moreover, after the MCC was created, it actively rejected any relation with USAID, including USAID's lessons born of long experience. Happily, that artificial and counterproductive wall of separation has come down, and in fact, USAID administers the MCC's Threshold Program for countries that do not yet meet the reform criteria warranting a full MCC compact, but it remains an instructive illustration of what organizational fracturing can bring.

MEPI was also not substantially, let alone fundamentally, different from what USAID was already doing. MEPI has four pillars: political (elections and political processes, civil society and reform advocacy, media, and rule of law); economic (investment, entrepreneurship, trade, and transparency); education (access, quality, and skills development); and women's empowerment (women and the law, women in democracy, women's rights, and women's economic empowerment). They mirror almost exactly the parallel programs at USAID. Arguably, MEPI has a different political cast but not an essentially different purpose or program. Indeed, there is nothing dramatically new in MEPI except the dubious claim that MEPI is “reform oriented” while USAID, presumably, is not. Notwithstanding the similarities, MEPI built an entirely new staff in an entirely new office in a regional bureau of the Department of State. The Bureau for the Near East had been engaged on diplomacy and, from that perspective, played an important role in assistance to the region, especially for ESF. With the advent of MEPI, it also designed, managed, and implemented a foreign assistance program. Initially, USAID was asked to implement MEPI programs until, for no tangible reason, MEPI constructed its own grant and contract operations within the Department of State. The result is two sets of programs on economic growth, democracy and governance, education, and women's empowerment: one designed and managed by USAID and another by MEPI.

MEPI, MCC, and PEPFAR are but examples. Regional bureaus and functional bureaus within the Department of State have also managed, and some are still managing, their own assistance

7. The President's Measles Initiative is an interagency effort among the White House, USAID, the Department of Health and Human Services (Centers for Disease Control and Prevention), the Department of State, and others. It is led by a coordinator located in USAID's Bureau for Global Health.

programs. The amputated limbs of USAID are, to use the HELP Commission's words, "scattered all over the government."⁸

The result is the fragmentation that now frustrates Secretary of State Condoleezza Rice, although her frustration is puzzling because she sat at the core, if not the summit, of the White House organization that decided to create these separate organizations and programs and to do so outside of the available foreign assistance framework. PEPFAR, the MCC, MEPI, and other smaller programs were created during her tenure as assistant to the president for national security affairs, the senior most staff official at the National Security Council. Still, responsible or not and better late than never, Secretary Rice is right that no one is accountable for the whole (except, in theory, at the apex of the White House, for which foreign assistance has traditionally been of only marginal concern).

To rectify the fragmentation of and establish accountability for at least that part of foreign assistance under her new authority, Secretary Rice created an integrating assistance framework and the position of director of foreign assistance to implement it. Anchored in the National Security Strategies of 2002 and 2006,⁹ she amalgamated the two resources under her province—foreign assistance and diplomacy—into a framework that she has called "transformational diplomacy." The objective of transformational diplomacy is "to work with our many partners around the world, 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."¹⁰ Transformational diplomacy would not just represent U.S. interests to other countries (like traditional diplomacy) but also assist in changing the countries themselves, moving them up a scale from "Restrictive" or "Rebuilding" countries to "Developing" countries to "Transforming" countries and finally to "Sustainable Partnership" countries.¹¹ It would help build a world of healthy, educated, prosperous populations living in free-market democracies. They are, at each step, progressively freer, healthier, more educated, wealthier, and more democratic. In the slang of development, this is called "getting to Denmark." The idea of transformational development is to provide the assistance necessary to help countries move up the ladder, to become like Organisation for Economic Co-operation and Development (OECD) countries like Denmark, which can only happen with the right mix of policies, resources, and political will. Under transformational diplomacy, it is not that development is *affected* by foreign policy, as it was before. Rather, foreign policy *includes* both development and diplomacy.¹² Under that umbrella policy, all of the resources under the policy direction of the

8. HELP Commission, *Beyond Assistance*, 5.

9. *The National Security Strategy of the United States of America* (Washington, D.C.: White House, September 2002, www.whitehouse.gov/nsc/nss.pdf); and *The National Security Strategy of the United States of America* (Washington, D.C.: White House, March 2006), www.whitehouse.gov/nsc/nss/2006/nss2006.pdf.

10. Secretary of State Condoleezza Rice, "Transformational Diplomacy," (speech, Georgetown University, Washington D.C., January 18, 2006), <http://www.state.gov/secretary/rm/2006/59306.htm>.

11. For the matrix in which these country types are organized relative to assistance objectives deemed relevant to them and their transformation, see U.S. Department of State, "Foreign Assistance Framework," July 10, 2007, <https://www.state.gov/f/c23053.htm>. For the definitions of the program, elements, and sub-elements, see U.S. Department of State, "Supplemental Reference: Foreign Assistance Standardized Program Structure and Definitions," October 15, 2007, <http://www.state.gov/documents/organization/93447.pdf>.

12. The word "diplomacy" is problematic. "Political" and "security" would be the better terms for what is here and elsewhere called "diplomatic." Diplomacy is a process by which governments deal with one another's interests and objectives. Diplomacy is used to advance political, security, and developmental purposes. It is not, itself, a set of interests and objectives. In the context of this discussion, the key alternative interests are political and military (sometimes called "security") interests as against development interests,

secretary of state—diplomatic as well as developmental—are to be harmonized in the service of assisting in the transformation of other countries.

To effect transformational diplomacy and to coordinate the fractured foreign assistance pieces to serve its purposes, Secretary Rice created a new position, the director of foreign assistance (DFA); assigned the USAID administrator to be concurrently the DFA; made the position into a de facto deputy secretary; and created a new process (the so-called F process) under the director to decide on the allocation of budgets and programs for every assistance-receiving country.¹³ Diplomacy and development would presumably be integrated, each buttressing the other to effect transformational development. By merging these disparate American resources toward one goal, Secretary Rice has all but eviscerated the distinction—growing increasingly lame and attenuated since the end of the Cold War removed their respective rationales—between DA and ESF. On the contrary, the distinction between DA and ESF would now be not merely anachronistic but counterproductive. Diplomacy and all of foreign assistance would serve the transformational purpose, although they would of course serve other interests and purposes as well. There is no longer any fundamental difference between a foreign policy of “political” goals (ESF) and a separate assistance policy with developmental goals (DA). Indeed, they are different tools in the service of diplomacy when rightly understood and, one step higher in the chain, in the service of national security. Development is part of the U.S. national security strategy; it is therefore *part* of the foreign policy of the United States under transformational diplomacy. Eliminate the now-obfuscating and redundant subaccounts altogether and ask, more simply, what the United States should be doing, where, and why.

Notwithstanding Secretary Rice’s effort at integration, it affects at best the elements of foreign assistance under her authority.¹⁴ No one even knows anymore exactly how many other parts there are outside that framework, where they are, and how they operate. As noted, the Senate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia counts 26 foreign assistance implementing entities. According to the HELP Commission, “20 largely uncoordinated departments, agencies initiatives, and programs manage U.S. assistance.”¹⁵ The Modernizing Foreign Assistance Network claims “as many as” 24 agencies and 50

and diplomacy is the process by which these key interests are negotiated with other countries. Nevertheless, the word “diplomatic” is used, for example, in the National Security Strategies of 2002 and 2006 as a kind of synonym for political and security considerations, as is “foreign policy.” So, following that language, however misleading, I will use diplomacy as it is now commonly used, i.e., as an abbreviation for those political, security, and other interests. However, to the extent that development is part of U.S. foreign policy, now more than ever, it is also the subject of diplomacy, rightly understood.

13. It is beyond the scope of this paper to comment on the purposes of that scheme, the extent of intervention it entails, the rationale for the intervention, and the likelihood of success. In summary, however, notwithstanding its laudable goals, the so-called F process suffers from several curable but serious defects: it blurs the distinction between strategy and tactics, creates a hyper-centralized bureaucracy, consolidates too many decisions in Washington, oversimplifies the character of recipient countries, weakens the value and contribution of expensive, in-country expertise, and has retarded the initial attempt to measure impact. For a fuller analysis, see, Gerald F. Hyman, *Assessing Secretary of State Rice’s Reform of U.S. Foreign Assistance*, Carnegie Papers (Washington, D.C.: Carnegie Endowment for International Peace, February 2008), http://www.carnegieendowment.org/files/CP90_hyman_foreign_assistance_final.pdf.

14. Transformational diplomacy and its procedural correlate in the F process represent one possible—and only an initial—answer, but they are hardly the only ways to integrate assistance within the State family.

15. HELP Commission, *Beyond Assistance*, 63.

programs (“many with duplicative role”).¹⁶ Representative Nita Lowy, chair of the Subcommittee on State, Foreign Operations, and Related Programs of the House Committee on Appropriations, recently noted, “The diffusion of resources and responsibilities across 10 cabinet departments and over 15 agencies has created a management nightmare ... [and has] led to a lack of oversight, accountability, coordination, and coherence of assistance programs.”¹⁷ Lancaster counts about 30 entities.¹⁸ Brainard counts “over fifty government units.”¹⁹ The Modernizing Foreign Assistance Network agrees that “there is no single person, office, or department with a mandate to coordinate these programs, promote policy alignment, or, importantly, to be accountable.”²⁰ No one really knows how many there are, how they are managed, or how (if at all) they are coordinated, which is part of the problem in and of itself.

But whatever the actual number, there is now virtually no cabinet-level agency without a piece of the assistance action and its own mini foreign policy, and as the cabinet-department advocates agree, there is no coordination. Instead, there is general agreement that foreign assistance has become fractured, tangled, mangled, mismanaged, and misaligned. A new department with true “whole of government” authority and mandate could bring the various strands together and render the accountability that both the executive and legislative branches want.

Status

A cabinet-level department would also enhance the status of foreign assistance, both within the U.S. government and as against the foreign assistance agencies of other donors, a second objective of its advocates.²¹ Housed now in the one or two dozen different entities, all of them are embedded several levels below cabinet level. To the extent that development continues as a principle element of the United States’ national security policy, like defense and diplomacy, that policy principle would be accomplished, and perhaps be best accomplished, by the elevation of development to a cabinet-level department. Surely the optics would be clear. Never mind that, as a matter of policy deliberation, a seat at the cabinet table has become almost irrelevant. It has been decades since serious policy issues were brought to the full cabinet for discussion. The Lyndon B. Johnson administration was perhaps the last such occasion. So a seat at the cabinet table is symbolic even on those rare occasions when the cabinet actually meets as a whole.

Apart from its symbolic importance, the practical significance of a cabinet-level department lies in the many other policy-level meetings that affect foreign assistance. For example, a cabinet-level secretary of global development would presumably be a principal member of the National Security Council (NSC). Membership in interagency organizations and invitations to interagency meetings, especially at the NSC, depend on the scope of the agency’s mandate and the level of the agency’s leadership. No matter the relevant scope, if the agency’s head does not have the appro-

16. See, for example: Modernizing Foreign Assistance Network, *New Day, New Way*, 5.

17. Nita Lowy, “Administering Aid Effectively Means Some Consolidation,” *Hill*, June 17, 2008, <http://thehill.com/op-eds/administering-aid-effectively-means-some-consolidation-2008-06-17.html>.

18. Carol Lancaster, *George Bush’s Foreign Aid: Transformation or Chaos* (Washington, D.C.: Center for Global Development, 2008), box 4-3, 76.

19. Brainard, “Organizing Foreign Assistance to Meet Twenty-First Century Challenges,” 33, 37. (References quoting the Organisation for Economic Co-operation and Development.)

20. Modernizing Foreign Assistance Network, *New Day, New Way*, 5.

21. See, for example: HELP Commission, *Beyond Assistance*, 7; and Modernizing Foreign Assistance Network, *New Day, New Way*, 4.

appropriate status in the hierarchy, he or she will not be a “principal” and therefore will not be invited to a “principals meeting.” The agency will be excluded or it will be represented by someone with the appropriate rank. A principals meeting at the NSC on a development issue would include the secretary of state and probably the secretary of treasury; and because of the fragmented nature of development assistance, it might also include the secretary of commerce or agriculture. It might also include the administrator of USAID but not always, precisely because the USAID administrator does not have cabinet rank. In the absence of its own administrator, USAID (and hence development in general) is represented by the secretary of state. If foreign assistance were housed in a cabinet-level agency, the secretary of global development would be a principal in meetings affecting development, except those in which the senior convener personally limited attendance.

Moreover, a cabinet-level secretary would in other circumstances elevate the priority of development. Cabinet-level status would make a difference testifying before Congress, negotiating directly over the budget with the director of the Office of Management and Budget, dealing with foreign leaders, engaging with the media, and in many other contexts. It would also make a difference in international forums. A cabinet-level department would enhance the status of its secretary relative to heads of other development agencies as well as the ministers of recipient countries.

USAID

Much of the dismay animating the proposals for a cabinet-level development agency derives from the debilitated condition of USAID, which was the home of better-integrated foreign assistance before the accelerated fracturing. Most of the buttressing articles lament the dismemberment, but most argue that, on the hackneyed principle that the toothpaste can’t be returned to the tube, it is too difficult to reclaim the lost territory, reverse the disintegration, and reassemble an integrated agency. Better to get a fresh start with a new entity and mandate. The new entity would not be burdened by the history of all the lost battles, the various bruises, and the resulting bureaucratic animosities. Had USAID remained intact, only the status argument would resonate in the discussion about the organizational architecture of U.S. foreign assistance, and that, by itself, would probably not have generated enough energy or political support to have sustained the proposal. But the fact is that USAID has been virtually dismembered.

USAID’s amputations had more to do with its weaknesses—structural, functional, and (truth be told) personal conflicts with its administrators—than with the core rationale for how to structure foreign assistance or new approaches to it. It is true, of course, that there may be situations in which old structures are simply not up to new challenges or when the old structures have too many skeptics, and in those cases it may well be better to start anew. USAID may now be one such example. Without doubt, it has extremely serious problems, both wide and deep. Perhaps by now, they are beyond repair. That may well be the conclusion of those who are authoring the new organization, and if you are creating a new integration in a new organization, why not put it in the cabinet where it can fly the new flag from the summit?

Good Questions, Poor Answers

These concerns—reversing fragmentation, increasing the status of foreign assistance, and abandoning the attempt to revive USAID—have animated the proposal for a single, unified cabinet-level department. Is that the best advice? On balance, I think not.

The weaknesses of the proposal outweigh its strengths. It suffers from at least five weaknesses. First, foreign assistance is inherently tied to foreign policy, at least in the United States, and overcoming fragmentation is best accomplished by retaining the intimate connection with State, notwithstanding the problems associated with that connection. Second, foreign assistance needs State's support. Third, too many parts remain excluded, even under the proposed unification. Fourth, a new department would complicate substantially the process for agreeing on trade-offs between program and policy alternatives and settling disagreements about what assistance should be provided and what policies should drive funding and programming decisions. Fifth, the plan is politically improbable—too costly politically and too low on the list of policy priorities—and therefore a diversion of energy from what is both possible and important.

1. Integration through the State Department

One answer to fragmentation is integration with the Department of State, but for a variety of reasons, those advocating/proposing an independent agency believe that would be the wrong answer.

The fragmentation problem comes in two distinguishable forms: fragmentation across the government as a whole and fragmentation within the International Affairs Budget and the Department of State family of offices and bureaus that manages it. The two are distinguishable not so much in kind as in the ability to create integration. As noted, Secretary Rice was concerned about both and has moved definitively to address fragmentation within the State family through the appointment of a director of foreign assistance and the F process.

Leaving aside the issues and problems specific to the F process itself, integration of assistance through State raises two major problems for those who oppose the integration and instead advocate a separate development department, one a matter of substance and the other a matter of process: the substantive concern is that development resources will in general be subordinated to other foreign policy interests; the procedural concern is that development is a long-term process requiring long-term resource commitments that will be displaced by State's short-term diplomatic needs.²²

(1a) The Substantive Problem: Foreign Policy and Foreign Assistance

Deep within the marrow of those who argue for a new department of global development is the desire to “rescue” development assistance from the “short-term” and (though rarely put this way) crass considerations of foreign policy. Development is, or needs to be, a noble and independent venture, representing the best impulses of the American people, not some vulgar bargain in an exchange for geopolitical favors. It should not be confused with or sullied by the immediate, sometimes coarse need to compromise with other national interests: for example, access to natural resources, the need for military and political cooperation with unsavory regimes, or the necessity to secure political support for a particular policy; in short, the give and take of diplomacy. Development should be a steady, constant effort. It is out of place in the diplomatic world with its constantly changing needs, fleeting alliances, and, to put it crudely, high-class bribery. Development needs constancy and consistency. It is distorted and perverted when it is part of the arsenal of incentives offered to entice support or cooperation. The more foreign assistance is integrated

22. For example, “It would undoubtedly subordinate development to diplomacy, risk allocating larger amounts of funding to meet short-term political and diplomatic objectives at the expense of longer-term development objectives, and place responsibility for development policy in a department with only limited expertise in development.” Modernizing Foreign Assistance Network, *New Day, New Way*, 8.

within State, the more development resources are likely to be subordinated to and subverted by the short-term, changing needs of diplomacy.

But the fact is that foreign assistance has been part of our foreign policy since the Marshall Plan. No doubt, it has a more humanitarian face than other diplomatic incentives, but foreign policy has many faces, which vary over time and context. Diplomacy requires a variety of incentives and disincentives. Immediate objectives may shift; today's partners may indeed be tomorrow's competitors, even adversaries. The number of deep allies—those that are dependable more or less through thick and thin—is regrettably few. It makes no sense to act with indifference to the larger foreign policy context when assistance is considered. That is why, for example, the ESF subaccount exists.

Consider some obvious examples. At least until recently, Egypt was in most respects a sclerotic country whose government was inimical to many development reforms. In very few ways would Egypt have been a good candidate for development assistance. But it was an excellent candidate for foreign assistance, the wider category that includes development assistance. Egypt is a key country in the Arab world. It signed the Camp David accords, made peace with Israel, and has been a force for stability and moderation in a turbulent region of great strategic interest to the United States. As part of the incentive package to reach the Camp David accords, under which Egypt and Israel made peace—Israel withdrawing from the Sinai and returning it to Egypt, and Egypt agreeing to full diplomatic representation and an end to hostilities with Israel—Egypt received a multiyear assistance package of \$750 million/year from the ESF subaccount. The assistance was “projectized” (i.e., it came in the form primarily of what were called “development” programs on which Egypt and the United States concurred). The governments of both the United States and Egypt agreed to use development terminology and to mount development projects as if these terms actually applied, although the funding was based on political and security, not developmental, rationales. The two governments settled on the exact nature, cost, and details of the projects, but the negotiation was uneven because each party knew from the outset that Egypt was entitled to the \$750 million. Unlike discussions with, for example, the government of Bangladesh, both the embassy and USAID lacked the leverage to dramatically redesign the projects, let alone withdraw the offer entirely if the projects did not make developmental sense. Moreover, the U.S. ambassador had many issues on which he was instructed to get Egyptian cooperation. So the assistance package was an incentive to get cooperation on the other issues, and conversely, it was not an issue on which to get up from the table in a huff. In short, because the funds were provided for foreign policy reasons, they were therefore under the foreign policy authority of the Department of State, even as the modalities of project design and implementation were left to USAID. What should be the posture of such an incentive clothed in the projectized garb of development assistance?

Take another example. For many years, the Philippines received assistance far greater than its development performance would otherwise justify. The assistance was offered and accepted in the context of an agreement by which the United States enjoyed access to Clark Air Base and Subic Bay Naval Base. The discussion over the assistance was a bit of a charade. The Philippines wanted rent for the bases, which in fact were prime assets. The United States insisted that it did not pay rent to its allies as that was the point of a military alliance; two or more countries alike in their objectives and for which they agreed to cooperate. Each time the bases agreements came up for renewal, the pantomime was repeated: we want rent; sorry, we don't pay rent. Each time the resolution was the same: we don't pay rent, but we will provide development assistance because you need it (but, of course, most of it will come from the ESF not the DA subaccount). The United States agreed about the sums and also agreed not to call them “rent.” Conveniently unmentioned in the

discussion was the disproportionate amount of the development assistance and the failure to warrant it on the basis of the development policies to which the assistance was ostensibly tied. Again, what should be the posture of such an incentive clothed in the garb of development assistance?

Some might argue that these are remnants of an era when the United States was locked in a struggle with the Soviet Union and that they are no longer relevant to a time when pure development considerations, especially poverty, should define U.S. foreign assistance. Yet the allocation of funds just this year clearly indicates that even after the Soviet demise, political and security considerations continue to drive foreign assistance allocations in a nontrivial way.

The United States agreed to supply food aid and fuel to North Korea as part of a package of incentives designed in the Six-Party Talks to produce the disclosure, verification, control, and reduction of North Korea's nuclear resources and capabilities, including disabling its nuclear facility at Yongbyon. Starvation in North Korea has been ongoing for years and so has food aid,²³ but this increased ESF assistance was clearly tied to an agreement based on security rather than development: food and oil for nukes. In the right atmosphere and with the right North Korean policies, surely additional aid would be offered.

In Pakistan, the United States is this year providing \$750 million in nonmilitary assistance for the Federally Administered Tribal Areas (FATA), an amount almost equal to the \$826 million assistance requested for the entire rest of the country put together. The United States does so because of the instability in FATA, the threat it poses to the stability of the rest of Pakistan, and its use as a safe haven by the Taliban. It most certainly does not do so because FATA is a sparkling development partner. Indeed, as in Egypt or the Philippines, U.S. nonmilitary assistance to Pakistan as a whole—more than \$1.5 billion—would be disproportionately high using purely developmental criteria and treating Pakistan as if it were any other random country. But Pakistan is a geostrategically critical country not a random one. Pakistan has had a moderate, pro-Western government, albeit an authoritarian military one. It has been of substantial concern to the United States for years, if only because of its nuclear capabilities and the potential for hostilities, including a nuclear escalation with India, all ingredients that preceded September 11 by more than a quarter of a century. It would be hard to exaggerate U.S. and global interest in the continued stability of a (so far) moderate pro-Western government sitting on both nuclear and antiterrorism fault lines yet acting responsibly. The effects on Afghanistan of a safe haven for the Taliban in the “ungoverned spaces” of FATA merely add to the importance of Pakistan's development and security.

The Bush administration has requested \$332 million for assistance to Sudan, 16 percent of the non-HIV/AIDS total for all of Africa, because of the instability in southern Sudan and potentially the region, the atrocities of Darfur, the threat of terrorism, the commitments made to the parties

23. The amount of food aid has varied substantially from year to year. Note the variations between 1995 and 1997 (from 0 to 177,000 metric tons), a rise of 250 percent between 1998 and 1999, a decline of 62 percent between 1999 and 2000 and another 80 percent between 2002 and 2003 (for a total reduction of 95 percent between 1999 and 2003), and then another increase of 175 percent between 2003 and 2004.

U.S. Food Aid to North Korea

Fiscal Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Total
Metric tons	0	19,500	177,000	200,000	695,194	265,000	350,000	207,000	40,200	110,000	2,063,894

Mark E. Manyin, *Foreign Assistance to North Korea*, CRS Report for Congress (Washington, D.C.: Congressional Research Service, May 26, 2005), 6, www.fas.org/sfp/crs/row/RL31785.pdf.

to induce them to sign the Comprehensive Peace agreement, potential conflict over oil resources, and a host of other reasons. U.S. assistance to Haiti is far greater than it would be if Haiti were not a Caribbean neighbor whose internal instability creates problems for the United States and the rest of the region. Haiti may not have a reformist government, indeed it may not have a real government at all, but multilateral “development” aid flows anyway to keep Haiti afloat, and no one wants to risk the consequences of reducing or terminating it. These are only a few examples, and they do not include the amounts provided by the Department of Defense.

From a purely developmental perspective, none of them would merit the amount of assistance they receive “for development projects,” and in each case, the room to bargain for reforms in exchange for assistance is limited precisely by other U.S. interests. The development imperative is to cajole them to make reforms. But the ability to insist on reforms is limited by the other considerations. In other ESF-receiving countries the trade-offs are less stark, but they do exist. The other interests constitute a justifiable use of assistance funds in my view and, much more important, in the views of both the Congress and successive administrations. At the very least, the use of assistance funds to support such political and security—read “diplomatic”—objectives is likely to continue.

Those who support a separate development agency do so in part because they want a pure developmental program, or at least a home for one, “uncontaminated” by these other considerations of foreign policy, which in most of their proposals would remain with the Department of State. That does not mean—at least should not mean—that assistance based on political or security policy is merely a carrot offered for a favor today and withdrawn tomorrow. To be sure, development has a long-term trajectory and requires some constancy. Moreover, it is most effective when the recipient country wants to use it to support good long-term policy. But that hardly makes foreign assistance immune from the larger context of foreign policy. No country is likely to offer substantial assistance to its adversaries. Moreover, none of the proposals to create a cabinet-level agency for assistance propose to eliminate ESF. Indeed, many leave ESF under the authority of the secretary of state. Assuming that the appropriation accounts were retained in roughly the same proportion as they are now, the new department would presumably include only the smaller Development Assistance account. The Egypt, Philippine, Pakistan, North Korea, FATA, Sudan, and Haiti programs (and others like them) would not be funded or they would be funded only at the levels justifiable on purely developmental grounds or (because they are not justifiable for purely developmental reasons) they would be funded and managed by the State Department rather than the new cabinet-level department. In my judgment, the third option is undesirable because it perpetuates the fragmentation of assistance programs, and the first two options are both undesirable and also unlikely. Alternatively, the secretary of global development would be asked by the secretary of state to manage the projects funded under the ESF subaccount for political or security reasons, much as USAID has done traditionally.

This foreign policy “pollution” is not unique to the United States. It is true that some donors separate foreign policy and assistance more than the United States does. The British, for example, have segregated the Department for International Development (DFID) and the Foreign and Commonwealth Office (FCO). DFID is about poverty reduction and the United Nations’ Millennium Development Goals,²⁴ and the FCO is about traditional diplomacy. Both are in the cabinet,

24. Department for International Development (DFID), “Millennium Development Goals,” <http://www.dfid.gov.uk/mdg>. See also DFID, “Country Profiles,” <http://www.dfid.gov.uk/countries/allcountries.asp?view=region>. DFID runs programs in more than 80 countries: 30 in Africa; 21 in Latin America and the

and for that reason, DFID is the gold standard for those who support a new U.S. cabinet-level department of global development. But DFID is not so impervious to FCO considerations as it may appear. India, Bangladesh, and Sudan received the largest amount of DFID funding in 2005–2006, but they would not be the largest recipients if poverty were the only consideration.²⁵ These countries are areas of traditional—and current—British strategic interests. Moreover, the FCO has its own foreign assistance funds, albeit very much smaller than DFID's.²⁶ The FCO runs the Strategic Programme Fund, which like ESF, supports projects “in areas of strategic importance to the UK.”²⁷ So in the aggregate, Britain's foreign assistance tracks its foreign interests, not just poverty and development. Like the British, the Germans²⁸ and Canadians²⁹ have cabinet-level development agencies, separate from their respective ministries of foreign affairs. The foreign assistance agencies of the Danes,³⁰ Dutch,³¹ Japanese,³² Norwegians,³³ and Swedes³⁴ are part of their respective ministries of foreign affairs, although their development assistance may be more insulated from the daily

Caribbean; 20 in Asia; and 10 in Europe and Eurasia. In 2005–2006, gross public expenditure on development was £6,612 million, of which DFID's share (including debt relief) was £4,413 million.

25. DFID, *Statistics on International Development 2002/02–2005/06* (London: DFID, 2006), 1, <http://www.dfid.gov.uk/pubs/files/sid2006/contents.asp>. Poverty and sustainable development are areas of traditional—and current—British strategic interests.

26. Foreign and Commonwealth Office (FCO), “Strategic Programme Fund,” <http://www.fco.gov.uk/en/about-the-fco/what-we-do/funding-programmes>. In 2006–2007, spending for the Strategic Programme Fund stood at £128 million.

27. Ibid.

28. Federal Ministry of Economic Cooperation and Development, “Aims of German Development Policy,” <http://www.bmz.de/en/principles/aims/index.html>. German foreign assistance is the responsibility of the Federal Ministry for Economic Cooperation and Development (BMZ), a cabinet-level ministry, not the Ministry for Foreign Affairs.

29. Canadian International Development Agency, “Organization Chart,” <http://www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/NIC-54101940-JTC>. The Canadian International Development Agency (CIDA) reports to the minister of international cooperation and not to the Ministry of Foreign Affairs and International Trade. Nearly 80 percent of Canada's official development assistance (ODA) is programmed by CIDA, but similar to the United Kingdom, the remaining 20 percent is programmed primarily by the Department of Foreign Affairs and the Department of Finance.

30. Ministry of Foreign Affairs of Denmark, “Organisation Chart,” <http://www.um.dk/en/menu/AboutUs/Organisation/OrganisationChart/>. The Danish International Development Agency (DANIDA) reports to the minister for foreign affairs and the minister for development cooperation, depending on the issue.

31. Dutch Ministry of Foreign Affairs, “Organisational Structure,” http://www.minbuza.nl/en/ministry/organisational_structure. The Dutch director-general for international cooperation reports to the minister for development cooperation who in turn assists the minister of foreign affairs.

32. All of Japan's foreign assistance organizations are under the authority, if not part of, the International Cooperation Bureau of the Ministry of Foreign Affairs. Ministry of Foreign Affairs of Japan, “Organization Chart,” <http://www.mofa.go.jp/about/hq/chart.html>. Under a recent reorganization, most of the functions, including those of the Japan International Cooperation Agency (JICA), have been consolidated under “new JICA”: “Development assistance has been one of Japan's major *foreign policy instruments* since the end of World War II, and in the intervening decades it has undergone constant readjustment.” JICA, “New JICA is Born: The Challenges Ahead for Japan's Development Assistance,” October 1, 2008, <http://www.jica.go.jp/english/news/field/2008/081001.html> (italics added).

33. “The Norwegian Agency for Development Cooperation (Norad) is a directorate under the Norwegian Ministry of Foreign Affairs (MFA).” Norad, “About Norad,” http://www.norad.no/default.asp?V_Lang_ID=0.

34. “The Swedish International Development Cooperation Agency (SIDA) is a government agency under the Ministry for Foreign Affairs.” Government Offices of Sweden, “Organisation,” <http://www.regeringen.se/sb/d/3367>. SIDA reports through the director-general for international development cooperation

give and take of foreign policy than is that of the United States. Similarly, the Brazilian Agency for Cooperation³⁵ and the Mexican Unit for Economic Relations and International Cooperation³⁶ are both constituents of their respective ministries of foreign affairs.

Moreover, to take only one example, the amount of assistance provided by the Europeans as a whole to the countries of the Mediterranean is disproportionately higher than their development need or policy commitment of those countries would merit. The Euro-Mediterranean Partnership was launched at the 1995 conference of EU foreign ministers in Barcelona (the so-called Barcelona Process) by the then-15 (now 27) EU member states and 12 “Mediterranean nonmember countries”³⁷ to “build a multilateral framework for dialogue and cooperation” in three areas: “(1) the political and security aspect aims to establish a common area of peace and stability; (2) the economic and financial aspect hopes to allow the creation of an area of shared prosperity; and (3) the social, cultural, and human aspect aims to develop human resources and promote understanding between cultures and exchanges between civil societies.”³⁸ The Barcelona Process set up, correspondingly, a political and security partnership, a financial and economic partnership (including a free-trade area), and a social, cultural, and human partnership. The EU member states pledged €4.685 billion for the free-trade area program alone during the period from 1995 to 1999, and that amount was supplemented by European Investment Bank (EIB) assistance in the form of loans of a similar amount and in bilateral financial contributions from the EU member states.³⁹ In addition, “accompanying measures” (*mesures d’accompagnement* or MEDA) were put into place “to help Mediterranean nonmember countries reform their economic and social structures and mitigate the social and environmental consequences of economic development.”⁴⁰ Between 1995 and 1999, MEDA was allocated €3.435 billion for financial cooperation between the European Union and its Mediterranean partners, and that amount too was supplemented by substantial loans from the EIB. MEDA is currently in its second programming period (2000–2006) and has a budget of €5.350 billion.⁴¹ The European Commission has supported the Barcelona Process with €16 billion since 1995.⁴² A supplemental program, the “Barcelona Process: Union for the Mediterranean,” was launched in July 2007 and “aims to infuse new vitality into the partnership, offering more balanced governance and increased visibility.”⁴³

Why? Because of the European Union’s “neighborhood policy.” Moreover, the Barcelona Process is not the only example of Europe’s “neighborhood policy” or of the foreign assistance attendant to it. These neighbors are countries whose instability would directly affect Europe. It is

to the minister for international development cooperation who in turn reports to the minister for foreign affairs.

35. Brazil Ministry of Foreign Affairs, “Organizational Structure,” http://www.mre.gov.br/index.php?option=com_content&task=view&id=1455&Itemid=1259.

36. Mexico Ministry of Foreign Affairs, “Estructura Organica Basica,” <http://www.sre.gob.mx/acerca/organigrama/organigrama.htm#>.

37. European Commission, “The Euro-Mediterranean Partnership,” http://ec.europa.eu/external_relations/euromed/index_en.htm. The 12 non-EU countries are: Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, the Palestinian Authority, Syria, Tunisia, and Turkey. See Europa, “Barcelona Declaration and Euro-Mediterranean Partnership,” July 26, 2005, <http://europa.eu/scadplus/leg/en/lvb/r15001.htm>.

38. Europa, “Barcelona Declaration and Euro-Mediterranean Partnership.”

39. Ibid.

40. Europa, “MEDA Programme,” April 12, 2007, <http://europa.eu/scadplus/leg/en/lvb/r15006.htm>.

41. Europa, “Barcelona Declaration and Euro-Mediterranean Partnership.”

42. European Commission, “The Euro-Mediterranean Partnership.”

43. Ibid.

in Europe's self-interest to invest in neighborhood stability. Notwithstanding the European claim to be devoted to pure development and poverty reduction, Europe invests disproportionately in North Africa for the same reason that the United States invests disproportionately in Haiti and Central America: to stabilize the neighborhood and, at its crudest, to stem the threat of immigration. These are political and security criteria, and justifiably so.

Similarly, Japan devotes nearly half of its official development assistance (ODA) to Asia and has traditionally tied its aid to trade considerations.⁴⁴ The Chinese have dramatically increased their assistance in recent years and have done so almost exclusively to secure favorable trade arrangements in natural resources without anywhere near the concern of the United States, Europe, or Canada for good development partners in the recipient countries.

None of this, whether in the United States, Europe, Japan, or even China, means that development criteria do not shape development projects or decisions, only that foreign assistance is also affected and shaped by the foreign policy context of donors and recipients. The relative weight of foreign policy is certainly greater in the United States than in the others, but the United States is not unique, notwithstanding the supposed developmental purity ascribed to the others, and, even if it were unique, the foreign policy considerations are likely to endure in the United States. The question is what sort of organizational architecture is best fitted to house these diverse considerations.

(1b) The Procedural Problem: Short Term versus Long Term

The general concern that the integration of foreign assistance within the State family would subordinate development to other foreign policy issues is aggravated by a somewhat different but related apprehension about State's organizational culture. Quite apart from whether "development resources" would be used in places, for reasons, and in ways that are not truly developmental (e.g., to "buy votes," secure access to resources, or induce cooperation for any of a multiplicity of purposes), they all seem sensitive to immediate assistance. Short-term considerations are likely to crowd out long-term ones.

It is not a trivial concern. It happens regularly. But neither is it unique to State or for that matter to State's role in foreign assistance. However tangential, the immediate, proximate, urgent, and tactical frequently crowds out the long term and strategic, no matter the department and whether for foreign assistance or domestic programs. It characterizes diplomacy as well, not just assistance.⁴⁵ It is a common problem throughout the U.S. government, indeed all governments.

Nevertheless, it has particular salience for foreign assistance, where the temptation is always strong to use tangible resources for immediate, short-term openings, as opposed to long-term purposes. Crises and "opportunities"—sometimes natural, sometimes diplomatic—will always create pressure for a response, including one that involves assistance.

The examples are many, all immediate, many urgent, most tactical: a vote is coming up, a competitor country has just offered an assistance package, a negotiation is taking place, a foreign del-

44. OECD, "Japan: Gross Bilateral ODA, 2005–06 Average," <http://www.oecd.org/dataoecd/42/5/40039913.gif>.

45. Ambassador J. Stapleton Roy, former U.S. envoy to Singapore, China, and Indonesia, applied the same maxim—"Human beings focus on the urgent at the expense of the important"—in reference to the distractions of diplomatic attention from more critical but relatively stable problems and regions to more incendiary ones. J. Stapleton Roy, "2008 America's Role in Asia," (presentation, Asia Foundation, Washington D.C., September 10, 2008).

egation is arriving from or the president is going to an aid-recipient country. The event occasions a request by the White House for “deliverables,” perhaps to cement the relationship, induce a policy change, elicit a diplomatic or security favor, or just as a gesture. No matter, the visit is leavened with an additional flow of assistance, not necessarily big but still significant. Stripped of its sanitizing language, a deliverable is a multimillion-dollar assistance gift that the visiting U.S. president brings to his presumably grateful counterpart. The assistance deliverable may be an augmentation or acceleration of an existing assistance program or an entirely new program. Either way, it throws off existing long-term development plans, especially because the funds for the deliverable must be found within the existing country budget (in which case it represents a bit of a sleight of hand) or from some other country or regional budget. It is a demeaning process. It diminishes the recipient country, its leadership, the relationship, the occasion, and even the United States. It has all of the characteristics of the rich uncle receiving the poor supplicant nephew and, even worse, the “our little brother” dynamics that are so often humiliating for the recipient. What in other contexts—such as visits to or from the leaders of Europe, Japan, China, India, or Latin America—would constitute serious discussions between the U.S. president and his counterparts about serious problems are converted instead into occasions with at best the trappings of consultation but with the substance of a gentle pat on the head. But the deliverable problem would not be solved by a separate development department: if the president wants a deliverable, the new department will not be refusing the request, nor would any other department; a way will be found, no matter what the bureaucratic arrangements.

More than just thrown off, the long-term development plan is gutted when the assistance package is increased exponentially but only temporarily. For example, after a landmark agreement whose terms include a substantial assistance component or in the event of a dramatic change in the recipient country itself, like the apparent democratic breakthrough in Russia in 1991, the replacement of President Suharto of Indonesia in 1998, or the sudden death of General Sani Abacha in Nigeria and his succession (after a short interregnum) by a democratically elected civilian government in 1999. Each of these tremors abroad was accompanied by a spasm of optimism in Washington and substantial increases of foreign assistance, indigestible in the initial years but then falling precipitously in future years or at least vacillating dramatically. The assistance came, naturally, with time limits for the obligation and disbursement of the funds, all of which were equally unrealistic. No account was taken of digestibility or sustainability of the assistance, and the excessive optimism soon retreated into realism or, sometimes, undue pessimism. Russia experienced the most erratic sequence of these increases and decreases while Nigeria had the most consistent trajectory.⁴⁶

46. The amounts managed by USAID for 1991 to 2006 are:

Total U.S. Economic Assistance, 1991–2006 (million, constant \$(2006)US)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Russia	1.4	15.6	842	2,152.4	682.1	445	386	467	1,895	823.1	683.2	579.7	849.1	1,009.9	1,301	1,207.6
Nigeria	11.1	7.5	17	9.4	4.2	2.9	2.9	12.8	49.4	118.4	92.5	116.8	101.8	140.6	156.5	185.3
Indonesia	90.5	67.7	71.9	31.2	77.5	41.7	42.8	121	303.2	281.1	219.8	227.1	219.2	170.1	603.8	265.4

Although Nigeria’s assistance was the most stable, it jumped nearly 400 percent between 1998 and 1999 then fell slightly and jumped again by nearly 40 percent between 2003 and 2004 and again by nearly one-third between 2004 and 2006. Assistance to Indonesia rose nearly 300 percent between 1997 and 1998, another 250 percent between 1998 and 1999 (for a total of 700 percent between 1997 and 1999), then dropped

The unwarranted optimism about the political will to effect reforms led to disappointments later. Even when the political will did exist, the structures, processes, and personnel necessary to digest the assistance were woefully inadequate. At least as important, the subsequent dramatic decreases in assistance forced many projects to close, let down indigenous actors, and created a final assistance allocation well below what would have made sense from the beginning. Such dramatic resource fluctuations make planning and implementation difficult and create unrealistic expectations. A serious development professional would not have raised the levels so high initially or reduced the subsequent levels so dramatically later. Russia, Indonesia, and Nigeria are only the most dramatic cases. Fluctuations of resources, particularly in the ESF account, have become a regular feature for most countries, and again, they make multiyear planning much more difficult, if not impossible. But these were not only trade-offs between development and diplomacy. If anything, they were overly animated responses, most often at State or the NSC but USAID as well, by those who did not properly appreciate the trajectory of assistance, were overwhelmed by what seemed the fervor of the moment, or saw an opening for a resource grab and took it.

Perhaps of greatest concern are not the unusual, once-in-a-decade-or-two shudders—Russia, Indonesia, and Nigeria—but rather the constant drip of regular, ordinary requests for much smaller but still diversionary sums to smooth relations, respond to a minister, or seize some immediate opportunity. The historic seizures, after all, promise a whole new country paradigm. The more pedestrian requests promise no big bang explosion. They are more frequent and less spectacular. Their impacts depend, for example, on the uncertain traction, authenticity, and staying power of the friendly minister, the nature of the “opportunity” in the larger strategy, and the value of the modestly smoother relations.

The apprehension is that answering the problem of fragmentation by integration with State will increase these incidents of short-term thinking and investment, whatever their diplomatic purposes. It is true that part of State’s mandate, particularly for in-country ambassadors, is to encourage smooth relations. For that reason, State may be particularly susceptible to short-term temptations, but smooth relations are not the only aims of State or the only instructions for embassies. Ambassadors often deliver stern demarches when views and interests diverge between the United States and the host country. Their fundamental function is to represent the national interest, not just to have smooth relations, which are means to ends, not ends in themselves.

Furthermore, the State Department has made many long-term investments; for example, détente, arms control, nuclear proliferation, the UN Law of the Sea, and many bilateral relations, such as with Russia, China, Egypt, and Pakistan. Indeed, at the urging of State, our investments in Egypt and Pakistan have certainly been long term, longer and larger than many would have preferred. If anything, State has come under criticism, not necessarily fairly, for being too optimistic about its ability through patient, long-term diplomacy to bring about basic policy changes in other

more than 20 percent between 2000 and 2001, stayed fairly stable for three years, then swelled 350 percent between 2004 and 2005, but declined by more than 50 percent between 2005 and 2006. Assistance to Russia displayed the most erratic course: it soared 5400 percent between 1992 and 1993 and another 250 percent between 1993 and 1994 (for a staggering 13,800 percent between 1992 and 1994); dropped by more than 70 percent between 1994 and 1995 and by another 35 percent between 1995 and 1996; then rose by about 400 percent between 1998 and 1999; fell by more than 50 percent between 1999 and 2000; fell by another 30 percent over the following 2 years; grew nearly 175 percent between 2002 and 2004; and increased an additional 128 percent between 2004 and 2005 (for a total increase of 225 percent between 2002 and 2005). USAID, U.S. Overseas Loans and Grants Building Database, <http://quesdb.usaid.gov/gbk/>.

countries. Ambassadors are accused of believing too much in their own persuasiveness as they argue for “continued engagement.” Most ambassadors understand that development progress will not come in the short term and counsel long-term engagement and patience. Nevertheless, short-term “targets of opportunity” are certainly tempting, as is State’s desire for assistance rewards to buttress this or that diplomatic objective. If that temptation is truly removed through a department of development that can make only long-term investments, the likelihood of a diversion would certainly be reduced, assuming the department could stick to its principles.

Yet the short-term purposes also have a place. Even in the normal course of events, there are legitimate trade-offs between immediate needs and long-term ones. When weighing the alternative uses of U.S. resources, long-term investments are not always ipso facto preferable to short-term ones. Responses to political opportunities—a new government, a negotiation sweetener, a natural disaster, a request from a partner—are not illicit uses of assistance funds, and regardless of the name of the department, the requests will not be resisted if they come from the president. Indeed, at some point one needs to ask what makes funds “development resources” in the first place and what counts as a “development reason.” As already noted, the ESF subaccount, twice the size of the Development Assistance account, is most often translated into “development” projects for countries in which the United States has particular political or security interests. If these ESF funds and projects count as “development resources,” they are definitely used for “diplomatic purposes” and always have been. More to the point, if the president and the Congress decide to use resources to support diplomatic efforts, it does not really matter whether they are called development resources or something else. Perhaps the proponents of a separate cabinet agency are really arguing for a change in the balance between DA and ESF, an increase in the former relative to a decrease in the latter, but that is a different question and independent of which department manages these accounts and resources.

Irrespective of what counts as “developmental” or “long term,” sometimes in the trade-off between long term and short term, the short-term investment may in fact serve the national interest better. The calculation should depend on where U.S. interests lie, the specific facts and circumstances of the case, and the probability and value of the respective payoffs. Nevertheless, a new cabinet-level department for development is certainly less likely to accede to immediate requests than is the State Department.

(1c) Institutional Fragmentation within the State Department

In addition to concerns about the subordination of development resources for nondevelopment purposes and the subversion of development’s long-term trajectory by short-term inclinations, the fragmentation of foreign assistance within the State family has been exacerbated by a variety of internal bureaucratic decisions at both State and USAID to create new initiatives and programs and new organizations to house them. PEPFAR, MCC, and MEPI were examples not only of duplicating USAID programs at State or an independent organization. They were also examples of creating new programs and new organizational forms to implement too many new ideas, even had they been housed within USAID. USAID administrators have been no more immune than State Department assistant or deputy assistant secretaries.

The impulse to trumpet a new program in a new organization or to keep tinkering with the existing organization has only sometimes been necessary. Too often it has been the result of a desire to leave a bureaucratic mark that cannot be erased easily by a successor. It has led those with too little knowledge of or concern for the most rudimentary organizational principles to play

havoc with the organization of development. That many of them are the very same people who have trumpeted development and elevated its importance is an irony apparently lost on them. As already noted, new military threats, conditions, challenges, problems, or functions have not occasioned the creation of a new military organization in the White House or in an independent agency outside the Department of Defense, let alone the functional dismemberment of DOD. New challenges, like terrorism and asymmetrical warfare, have been handed to DOD, which has been instructed to find a way to meet them, or at least to propose a way. Similarly, diplomatic challenges change constantly, yet no one suggests a parallel Department of State or the surgical removal and regrafting of a core diplomatic function on to some new office outside State. They do not regularly create new operational forms at State or constantly shuffle and reshuffle its basic bureaus and offices. Yet, with the notable exception of the President's Malaria Initiative, that is precisely what has happened to foreign assistance, whether by presidents, secretaries of state, or USAID administrators.

Moreover, organizational renovation occurs at State and USAID, not just with large programs like PEPFAR, MEPI, and the MCC, but also with many other smaller and more anonymous programs. No doubt these programs have been charged with a different operating procedure, different funds, and a different staff, which has characterized the new mandates of counterterrorism and the challenge of failed states at the Department of Defense as well. Many of the problems of fragmentation and organizational overlaps within the State/USAID family are self-inflicted wounds, too frequently due to organizational narcissism rather than true organizational need.

From time to time, there may be reason for asking a regional or functional bureau at State to design and implement assistance programs, but the reasons should be compelling. Leaving aside whether these were good programmatic ideas, they need not, and should not, have given rise to separate organizations to manage the programs. Just as we do not imagine a parallel diplomatic program designed and implemented by USAID in the countries in which it operates, assistance programs should not generally be designed and implemented by State's regional and functional bureaus. Managing assistance should not be the response to a desire by this or that assistant secretary or office director for a separate program (especially if it entails creating a separate organizational unit to do so), but that is too often the underlying reason for doing so. If the proliferation cannot be controlled, then integration of foreign assistance within State cannot cure the fragmentation problem, but neither can a separate development agency.

Whatever the other criticisms of the F process, at least the director of foreign assistance and the "F staff" have erected some impediments to those tendencies through the creation of a consolidated budget and some organizational and programmatic discipline. Individual programs are no longer authorized or funded outside of the F-process budget, which does not mean that the appeal for a new organization by an important actor cannot trump the logic of the F process. At least it would be required to jump some F-process hurdles. The integrating mandate and the out-year budgeting create obstacles, though not insurmountable, to new programs, personal projects, fiefdoms, and constant reorganizations.

Still, the F-process oversight remains primarily budgetary, not organizational. The director and the F staff have not yet consolidated or rationalized the many organizations and operations providing assistance, let alone a serious policy shop. To date, the budget provides the only handle on organizational fragmentation within the State family and on the continuous appeals for new programs and new organizational homes for them. It may also provide some limited leverage against the erratic budget swings and temporary budget enthusiasms attendant on "break-throughs," even if the eagerness comes from the secretary. No matter if they intended to go further,

they will have no opportunity to do so before the end of the Bush administration that created them. Instead, the many fractured pieces within the State family and under the F process, including USAID, are limping along as distinct units, arguing for their own assistance programs in the relevant country assistance meetings, and assuming (so far accurately) that they will continue to design and manage “their” programs even though, in theory, the management decisions are independent of the program and budget decisions. In short, they accurately believe that if they can convince the budgeters of the F staff to include a program, they will also continue to run it. The result is that the organizational fragmentation and redundancy continues notwithstanding the more integrated budget process.

The better question then, conceptually as well as organizationally, is not whether development assistance should be placed in a foreign policy context, which is a given, but rather how, to what extent, under what policies, in what organizational form, and with what guidelines and expectations it should be placed there. The bottom line is that the national interest will determine where and how national resources, including “development resources,” are spent. The cost of diverting funds from development to other purposes should be included in any calculation about those alternative uses: domestic versus foreign; diplomacy and defense versus development; and long term versus short term.

2. Foreign Assistance Delivery Needs the State Department’s Support

If the most common concern in the development community about the integration of assistance and diplomacy within the Department of State is that assistance will inherently be compromised for diplomacy, in particular that development’s long-term objectives will be put at the service of State’s short-term needs, what passes seemingly unnoticed is the extent to which foreign assistance depends on diplomatic support.

The allocation of resources between development and diplomacy is not one-sided or unidirectional. Diplomacy may be asked—is often asked—to serve development. As part of a single package, diplomatic assets are used for developmental purposes and vice versa. The Bush administration has increased those instances because it has elevated development as an element in U.S. national security strategy. It was not before. Indeed, the earlier complaint by development professionals was the opposite: that foreign assistance was an afterthought, a sideshow, disrespected, the Rodney Dangerfield of foreign considerations. No one paid any attention to it and, as an afterthought, it received only budgetary scraps. Now at the center not only of foreign policy but of national security policy as well, the elevation of development and its integration into the core considerations of national security does, however, carry implications for its role, the rationales for various assistance programs, and the investment calculations among them, no matter where they are located. The proponents of a separate department of global development seem to welcome the central role for development as part of our national security deliberations, which elevates the importance of development, yet recoil at the implication that development will be considered as one tool among the other two in a calculation about how best to serve the national security interest. They cannot simultaneously argue that development is a core component of our national security strategy but flinch at the discussion of what part each of the three should play. They cannot have it both ways.

But even if the relation has been out of balance, the fact is that diplomacy has been serving development all along. Development often depends on diplomatic interventions in some very practical ways. Development is not a smooth ride. Certainly it is more than just supplying retrovi-

rals, oral rehydration kits, new seeds, irrigation, and capital. Real development requires a change in local paradigms. Existing centers of economic, political, and professional power and privilege will be at risk. There will be winners and losers. Some among the currently powerful will lose. Incumbents are likely to resist unless it is clear that they will gain by reforming, but many of them will not gain. Yet without domestic political will, the fundamental reforms of policy and structure required to achieve sustainable development will not vest.

No external donor or set of donors can substitute for those commitments. But donors can press for reform, and they do so in part through their embassies. Donors supply incentives, positive and negative. They keep pushing. Ambassadors advocate for a set of policy reforms, engage their counterparts, organize donor consortia, meet with reformers, and engage business and political incumbents. When projects stall, embassies make telephone calls or arrange meetings. U.S. ambassadors intercede regularly on the part of U.S. assistance organizations, their programs and staffs, and their local counterparts. They intercede on behalf of particular projects, initiatives, groups, and even individuals. If a reformist group or an individual is threatened, the embassies may mediate or even intervene. In some areas, like structural adjustment, privatization, democracy, or gender equality, these intercessions are more delicate and perhaps more frequent than in health or education, but they exist throughout the development portfolio.

The active support of the embassy can make an enormous difference. Conversely, the indifference or antagonism of the embassy can leave reformers more vulnerable and, in the extreme, can mean the end of a project or initiative. These are not theoretical advantages or disadvantages. Development professionals call regularly on their respective embassies for support vis-à-vis the government of the recipient country. That support is made more difficult and probably less likely by a division of organizations and with the embassy still under the direction of State.

3. Too Many Parts Left Out

Assume, notwithstanding all of these considerations, that it would still be better to establish a separate cabinet-level department for development. What should be included and what should be excluded from the new department? What should be transferred and what should remain where it is? Which of the programs under the authority of the secretary of state and the F process should be transferred? What happens to the F process itself? Presumably it dies, because at least some of its critical parts would be transferred. But which parts? Should ESF stay or go? Should it survive at all? PEPFAR? MEPI? And then how should the fragmentation problem be solved for the second class of programs, those in other cabinet departments outside the authority of the secretary of state? Which, if any, of the programs should be transferred to the new department? What about the programs of the Commerce Department? Justice? Agriculture? Treasury?

The proponents of the new development department do not entirely agree. Some advocates would keep ESF; others would not. Some would only move the programs in State; some would move others as well. Some would begin with State and leave the other harder cases for later.

Yet in the end, the very rationale of the proposal is to separate, isolate, segregate, and/or rescue foreign aid from foreign policy, or at least from its more immediate short-term inclinations. If transformational diplomacy is precisely the kind of policy that endangers development by subordinating it, and if merging DA and ESF merely places at risk all of the foreign assistance funding by subjecting the developmentally purer DA account to the same rationale as ESF, then the disposition of the various programs, funds, and philosophies cannot be incidental considerations. The distribution question is central, not peripheral.

For that reason, most proponents of a cabinet-level development department would keep ESF under the policy direction of the secretary of state, even though they have not reached a consensus on how it would be managed. Either the new department would, like USAID, implement the ESF programs under the secretary's direction or State would create its own implementation arm, as MEPI did, with two completely separate assistant agencies (the new development department and the ESF-implementing part of State). Put differently, either the ESF remains entirely separate from the new department or is implemented by the new department under precisely the foreign policy rationale that prompts the desire for separation in the first place. But under the latter alternative, development criteria would have no voice at the policy table on ESF because presumably all the development voices would be in the new department. Nothing would leaven the assumed short-term foreign policy considerations, except perhaps an unlikely appeal to the president or the National Security Council.

ESF is only one of a series of property allocations that would need to be reached in the divorce settlement required by the creation of a new department. What would happen to the Millennium Challenge Account and the Millennium Challenge Corporation? Would the MCC remain a separate corporation with its own development program creaming off the best performers and offering them a different development deal? Already there is complaint among the traditional development bureaucracy, the traditional development implementers (NGOs and for-profits), and tellingly, the recipients themselves regarding the reductions in funding for country programs outside the MCC program when an MCC compact is signed. Is the MCC funding additive to the pre-compact U.S. foreign assistance or does it replace some or all of that assistance? If the latter, what happens to all the health, education, economic growth, environment, or democracy programs whose funding has been cut or eliminated if the recipient country decides, for example, to put its MCC funding into new roads or irrigation systems? If the MCC remains independent, presumably the secretary of the new department would assume the board seat currently reserved for the administrator of USAID. But then the new global development department would continue to have only a single seat on a nine-member board with an annual appropriation of \$1.5 to \$2 billion. And the chair of the board would remain the secretary of state.

What about PEPFAR? Does it remain under the Office of the U.S. Global AIDS Coordinator? That coordinator currently reports to the secretary of state. Should there be a global AIDS coordinator if there is a new global development agency? Presumably not, because AIDS is such an integral element in the health dimension of development. As already noted, it is a fair question why OGAC was created in the first place and why it was located outside of USAID, the development agency that already had an AIDS program. Was that a mistake? Should AIDS be "returned" to the development department? If not, how "global" would the new global development agency be, or is the problem of AIDS separate from development in countries such as Malawi or Zimbabwe? The new department would be global in the sense that its programs would be found around the world. But it would not be global within the U.S. government itself because the AIDS program would be elsewhere.

And what about the programs in the other cabinet-level departments, the ones outside the purview of the secretary of state? Isn't agriculture part of development, especially in poor countries with a largely rural population? Why does the Department of Agriculture have its own foreign assistance program, albeit confined to agriculture? Should it? Should the U.S. Forest Service have its own program? Should the Departments of Commerce, Energy, and Labor all have their own foreign assistance programs? Would they be brought under the new global development department?

Perhaps the two biggest questions, both politically and financially, relate to the Department of the Treasury and the Department of Defense. U.S. participation in international financial institutions (IFIs) is under the direction of the Treasury Department, not State or USAID. The secretary of the treasury represents the United States on the Boards of Governors of the World Bank, the International Monetary Fund (IMF), the Inter-American Development Bank, the Asian Development Bank, and the European Bank for Reconstruction and Development, although the alternate governor is the undersecretary of state for economic, energy, and agricultural affairs (except in the case of the IMF, where the U.S. alternate governor is the chairman of the Federal Reserve). The Treasury Department recommends the U.S. executive director of all of the IFIs and is primarily responsible for U.S. policy in those institutions, although the undersecretary of state for economic affairs plays an important role. The development role of the IFIs dwarfs the roles of the individual donor countries through their respective bilateral programs. Should the Treasury or State Department cede their respective roles at the IFIs to the new global development department? Should the secretary of state cede responsibility of the 150 Account; indeed, should the 150 Account itself be abandoned?

Finally, what about the growing role of the Department of Defense in development? The post–September 11, post-Afghanistan, post-Iraq missions for DOD have changed dramatically to say the least. More than merely dramatic, the policy shift—embodied in Department of Defense Directive 3000.05 under which “stability operations” are “given priority comparable to combat operations”—is revolutionary.⁴⁷ It fundamentally modifies the mission, scope, doctrine, strategies, and tactics of the armed forces. It gives the military a whole new additional direction, which includes much of what might otherwise have fallen to the civilian development effort. An entirely different paradigm has been designed in Iraq and Afghanistan. Much of the development assistance at the local level is being provided by or through Provisional Reconstruction Teams, outposts of civilian and military personnel deployed together with a common assignment, playbook, and chain of command. Of course, those are countries engaged in internal conflicts. But the component of DOD participation in what might previously have been development programs under the direction of civilian agencies has grown substantially, especially conceptually, whether in pre- or post-conflict environments “to shape the security environment” or in areas where the military hopes to avoid conflict entirely by supporting stability.⁴⁸ At least under Secretary Robert Gates and most likely under his successor as well, the relationship between development and military roles will grow increasingly close. As recently noted, “Over the long term, we cannot kill or capture our way to victory. What the Pentagon calls ‘kinetic’ operations should be *subordinate* to measures to promote participation in government, economic programs to spur development, and efforts to address the grievances that often lie at the heart of insurgencies and among the discontented from

47. “Stability operations are a core U.S. military mission that the Department of Defense shall be prepared to conduct and support. They shall be given priority *comparable to* combat operations and be explicitly addressed and integrated across all DOD activities including doctrine, organizations, training, education, exercises, materiel, leadership, personnel, facilities, and planning.” U.S. Department of Defense, *Directive 3000.05: Military Support for Stability, Security, Transition, and Reconstruction (SSTR) Operations*, November 28, 2005, 2, <http://www.dtic.mil/whs/directives/corres/html/300005.htm> (italics added).

The new Army field manual on stability operations, which implements Directive 3000.05 goes slightly further, at least in nuance: “[Directive 3000.05] establishes stability operations as a core military mission *on par* with combat operations.” *FM 3-07: Stability Operations* (Washington, D.C.: U.S. Army, October 6, 2008), www.fas.org/irp/doddir/army/fm3-07.pdf (italics added).

48. Secretary of Defense Robert M. Gates, “U.S. Global Leadership Campaign” (speech, Washington, D.C., July 15, 2008), <http://www.defenselink.mil/speeches/speech.aspx?speechid=1262>.

which the terrorists recruit. ... I believe the most persistent and potentially dangerous threats will come less from ambitious states, than failing ones that cannot meet the basic needs—much less the aspirations—of their people. ... The challenge we face is how best to integrate these tools of *statecraft* with the military, international partners, and the private sector.”⁴⁹ DOD, especially the military, is reluctant to undertake these missions, but the prospect for DOD engagement is growing substantially, especially if the civilian side of the U.S. government does not meet the stability and counterterrorism challenge.⁵⁰ How would the new global development department fit into this emerging landscape? Would these challenges be part of its mandate? And if so, would State’s Office of the Coordinator for Reconstruction and Stabilization be moved to the new department? Would the funding come from the budget of the new department, the defense budget, or supplemental budgets?

The proposals for a new development department vary on all of these questions of turf, as do the opinions of the participants in the ad hoc assistance working groups. But clearly, a global development department would look too much like USAID—its parts spread all over town—unless at least most of these programs were brought within its purview. As noted, it would be global only with respect to where it works—around the world—but without these programs, it would be bureaucratically parochial within the constellation of U.S. government agencies, each of which would also be “global.” So what would be isolated for the new department? What parts of global foreign assistance would be reserved for or claimed by it and to what extent would the other players be forced to recognize those claims?

4. Settling Disagreements

Concurrent with the organizational divisions are the policy divisions. The multiple interests inherent in U.S. relations with even the smallest countries also require trade-offs and can challenge policy coherence. For the most part, these interests are not overwhelmed by internal conflicts. Most of the time, U.S. policy is reasonably consistent and its interests are generally complementary.

Nevertheless, disagreements arise and trade-offs are required. Sometimes one or another interest prevails. More often, compromises are forged. A few such issues have already been alluded to: security versus development; the desire for short-term inducement “payoffs” versus long-term development needs; the problem of presidential deliverables; the disjuncture in assistance when a “breakthrough” occurs; the many distinctive ideas arising from various geographical and functional bureaus; and so forth.

How would those trade-offs be made with a new cabinet-level department of development at the policy table? Under the present configuration, they are made, at least initially, within the procedures of State over many months and many meetings. At the country level, they are usu-

49. Ibid. (italics added).

50. “Overall ... The United States military has become more involved in a range of activities that in the past were perceived to be the exclusive province of civilian agencies and organizations. This has led to concern ... about what is seen as a creeping militarization of some aspects of America’s foreign policy. But that scenario can be avoided if ... there is the right leadership, adequate funding of civilian agencies, effective coordination on the ground, and a clear understanding of the authorities, roles, and understandings of military versus civilian efforts, and how they fit, or in some cases, don’t fit together. ... The U.S. military ... will be responsible for security, *reconstruction*, and providing *basic substance and public services*. ... It is important that the military is and is clearly seen to be in a supporting role to civilian agencies. ... The Foreign Service is not the Foreign Legion, and the United States military should never be mistaken for the Peace Corps with guns.” Ibid. (italics added). Clearly, there is some confusion here about which roles and responsibilities ought optimally to be vested with the military, which with the civilian agencies, which should be shared, who should take the lead, and what the arrangements should be when roles and responsibilities are shared.

ally articulated, even decided, under the direction of the ambassador. Officially, the ambassador is the president's representative not State's, but in practice, career ambassadors are nominated by the secretary of state and all ambassadors take policy direction from State. Moreover, their ties are disproportionately to State because disproportionately that is the path by which they have come to be ambassadors and hope to get another ambassadorial posting. If development were represented by a different secretary, how would the presumably different calculations about trade-offs between security or diplomacy and development be made? Two different secretaries would represent two proclivities and two sets of opposite instructions: the secretary of state no longer responsible for both diplomacy and development but now left entirely with (putatively short-term) diplomatic objectives; and the secretary for global development with the opposite lens.

Each such instance could easily be escalated into an interagency issue if the development case was made by a one department and the other cases were made by the State, Defense, or Commerce Department. If the respective departments could not negotiate an agreement, only two venues would be available for resolution: the National Security Council and the president. It is inconceivable that the president would become involved in any but the most critical cases. However, it is certainly possible for interdepartmental differences to be worked through with, if not decided by, the National Security Council. The NSC exists in part to adjudicate just such differences, or at least to see that the respective options are made available to the relevant decisionmakers, especially the president. Surely, the NSC could act as a forum in which to air the respective perspectives and forge an agreement or even to decide the issues. Nevertheless, the interagency process is unwieldy to say the least, and the NSC is designed to deal primarily with major policy, not with disputes about implementation plans. It would be cumbersome for any but the most important differences to be submitted to the NSC forum.⁵¹ Nor is it at all clear that the development argument—development versus diplomacy, long term versus short term, etc.—would fare better in the NSC than with the secretary of state.

A major purpose of a cabinet-level development agency, however, hinges on the purported advantages—status and clout—of having a pure development voice in the interagency process at the cabinet level, and one objective is to move the trade-offs to the interagency process, including a cabinet debate. Because the new secretary would be a cabinet “principal,” the development voice would be represented directly rather than indirectly at any relevant principals’ meeting. In the interagency venue, development would have its own voice shorn of the other counterbalancing concerns represented by the secretary of state or by the secretaries of the other U.S. departments and agencies providing foreign assistance programs. Development would no longer need to compete with other foreign policy interests for State’s attention, support, and indirect representation. The cumbersomeness of the interagency process would presumably be compensated by the value of having its case put forward forcefully and directly.

51. As part of their proposed “hybrid model” between a new cabinet-level department for development and variations on the existing organization, including the F process, Anne Richard and Paul Clayman recommend a new NSC staff directorate, in addition to several other changes at State and USAID. The new NSC senior adviser, they note, would need to be an “honest broker” in settling differences among the already existing U.S. government assistance agencies, and that is without a new cabinet-level development department. A new department in the cabinet would hardly reduce the number of interagency disagreements, unless it were accompanied by a substantial reduction in the number of those agencies, which few of the proposals recommend. Anne C. Richard and Paul Clayman, *Improving U.S. National Security: Options for Strengthening U.S. Foreign Operations* (Washington, D.C.: Stanley Foundation, June 2008), <http://www.stanleyfoundation.org/resources.cfm?id=349>.

More than just cumbersome, however, the interagency process is a mechanism of uncertain outcome at best. It would be a risky course for development. Is it wise to assume that the (putatively long-term) development option is likely to fare better at the NSC than the (putatively short-term) “diplomatic” one? And is it wise to elevate these decisions to a presidential assistant for national security, whose understanding of the specifics would be uncertain at best and who is already pressured by scores of other decisions? Of greater certainty is that the secretary of state—a statutory member of the NSC, one of the “inner-four” departments in the cabinet, and one of the three or four most senior cabinet appointees—would in general outweigh any new secretary for international development. The struggle would be inherently unequal. Indeed, if an interagency voice is the issue, the amplitude of the new secretary’s appeal in the interagency forum would be weak compared to that of the secretary of state.

In short, even if the cabinet were a place of discussion, debate, and decision—which it has not been for at least 40 years—the cabinet contestation between the secretary of international development and the secretary of state is unequal, hence undesirable. On balance, the advantage of a “pure” voice in the interagency process is outweighed by the increased structural tension intentionally and explicitly created with State by a separation.

Ironically, development’s cause may be better served by more integration than separation. Better to have the secretary of state defending development goals as his/her own—even when they compete with other U.S. interests, which they will do in the interagency forum—than to have the secretary of state as an adversary (or at least no longer responsible for the costs to development of deciding in favor of other interests). Better to force the secretary of state, charged with both development and other foreign policy interests, to internalize the development costs of an alternative decision. Better, that is, to have the secretary of state championing development as part of his/her own portfolio than representing only the diplomatic part and contrasting it to the development part, even if the two could be separated, which as already noted, they cannot and should not be. Better too to have “transformational development” as a guiding principle for the ambassador. Better also to have the secretary as an ally supporting an ambassadorial intervention, perhaps even issuing a supportive policy instruction, than viewing development as someone else’s problem and turf. Better to keep development and diplomacy integrated if, as the advocates of a separate development department argue, the United States also needs a “whole of government” approach; it is difficult to see how segregation will advance that goal. Better to have the clout of the secretary of state to defend against the programming aspirations of other departments. State could offer greater protection against fragmentation than a separate, independent agency. Certainly the chances, however small, of reversing or reducing fragmentation and reintegrating parts of the development portfolio now assigned to other cabinet-level departments (or at least to prevent further fracturing) would be much greater if championed by a secretary of state than if by a new secretary of development, unless the transdepartmental reintegration were part of a presidential directive for the new development department.

5. Political Costs Are too High

Assume, however, that all of these substantive agreements are wrong and that, on balance, a separate development agency would be a good idea. Assume that foreign policy and development are too inimical to be housed in the same department and represented by the same secretary. Assume as well that the State Department and its ambassadors would be as likely to champion development even if it were under the authority of an entirely different department and secretary. Assume even that political and diplomatic interests are best kept separate, as they presumably (but

not so accurately) have been in Britain. Assume, finally, that development would fare better in the interagency process of trade-offs if it were separately represented by its own secretary rather than the “conflicted” and too-often subverted secretary of state. Assume, in short, that the substantive arguments for a new separate cabinet-level department of development were indisputably clear and persuasive; or even assume that, just on balance, the arguments were persuasive. Nevertheless, as a practical political matter, it is a nonstarter.

The next administration will be faced with a more daunting set of challenges than most in the recent past. The next president will face a meltdown in the financial markets; a recession (or quasi-recession); possible stagflation; increased unemployment; a housing predicament; a growing trade and current accounts deficit; an immediate and long-term energy challenge; major needs in education, health, social security, and infrastructure; and the need for a coherent immigration policy. There are looming crises in the Social Security and Medicare accounts and uncertainty about how to deal with an aging population that will live longer but need much more care than previous generations. All of that is on the domestic side.

On the foreign side, the president will face the acute problems of Iraq, Afghanistan, and Pakistan and more chronic concerns in Iran, North Korea, and the Middle East. Over the longer term, fundamental relations between the United States and Russia, China, and India need attention; they will shape the next generation of international relations. The apparent assumption that U.S. relations within the hemispheric neighborhood are in some sort of equilibrium is belied throughout the region, particularly (but not only) in the Andes and Central America. U.S. relations with and role in Asia have been substantially weakened, in part because of our preoccupation with Iraq and Afghanistan. U.S. engagement in Iraq and Afghanistan has also raised serious existential questions about the structure, mission, and endurance of NATO. Further, but connected to NATO, is the oscillation of U.S. relations with Europe. And of course, there are the problems of terrorism, failed states, and “ungoverned spaces,” although the links among them are not as clear as they sometimes seems. And perhaps most important are the challenges of nuclear proliferation and the environment.

All of this is well-known and commonplace. Where does a new cabinet-level department of development fit into this series? Against this daunting list of domestic and foreign challenges, it is hard to imagine that the next president will prioritize a new department of development. But that is what it would take to establish a new department.

Creating a new cabinet-level department is a huge effort requiring the expenditure of a substantial amount of time, energy, thought, and political capital. Particularly difficult in this case is that, like the creation of the Department of Homeland Security (DHS), the creation of a development department would not begin from scratch. As hard as starting fresh would be, harder still would be the struggle to wrench programs from their current homes deep in some other department’s bureaucracy and budget. Nothing, it is said, is more difficult than extracting bureaucratic turf. Yet one of the most compelling rationales for a new department is the coherence that putatively would come from reversing the fragmentation of the past few decades. Absent that consolidation, the rationale for the new department would be substantially diminished. The new department would be merely USAID wearing a new suit and sitting in a different seat at the table. Surely, any attempt to create a new comprehensive development department would necessarily require a consolidation of all or almost all of the development activities within it. So the first order of business for the new president would be to announce to his cabinet secretaries their respective losses of territory. Not an auspicious beginning.

Moreover, the new president's capital is highest in the first 18 to 24 months of the administration. That is when, absent a confirmed secretary, moving bureaucratic turf would be easiest. A new secretary, once named and confirmed, will almost certainly defend with some tenacity the inherited turf and the prerogative to set policy and procedure within it. That initial period coincides, unfortunately, with the need to confirm the new cabinet and the senior political appointees in each department. But that is when the real priorities of the administration need to be focused. It is the window of opportunity for major policy innovation. Against the pressing domestic and foreign challenges, is a new department of development near the top of the list? Is a new development department a high priority? Is that where political capital should be spent? Is that where it is likely to be spent? Hard to imagine.

The plan is politically improbable: too costly politically and too low on the list of policy priorities. For that reason alone, if not also for the substantive flaws in the scheme, pushing a new department is also a misuse of time, energy, thought, and political capital by those who are concerned about foreign assistance and the organizational problems associated with it. Pushing this unlikely cause is a diversion of energy from what could usefully be accomplished instead. There is concern about development on the Hill and off. How should that be channeled? Rather than pushing for an entirely new department, it would be better to concentrate on some of the core problems of the existing organization: personnel, contracting, the legal framework, and operations.

The Better Course

The next president will not and should not create a new department for foreign assistance. It is possible that USAID will be returned to its former, semi-independent status, in which case it needs very substantial reform and revitalization. But more likely, the new F structure within State will be retained. If the F structure is retained, it should be substantially revised and improved. In addition, it should address some of the core problems that led to its creation, which now lead to calls for a new cabinet-level department. In either case, five priority problems need to be addressed.

First, either USAID or the F process should continue to address more systematically and thoroughly the problem of fragmentation. Ideally, the programs now spread throughout the government would be consolidated, and that is the best argument for the new cabinet-level department (although even its proponents are reluctant to recommend a government-wide turf war for fear that it would torpedo the nascent agency even before it is created). Although neither one could by itself consolidate the assistance programs of other federal departments and agencies beyond the reach of the International Affairs Budget, either one could certainly continue under the secretary of state's authority to consolidate the programs within that budget. It should do so vigorously and ruthlessly.

Among the most important anti-fragmentation, pro-integration principles would be a near-ironclad bar on the design and implementation of foreign assistance programs in the regional and functional bureaus of the Department of State itself. Historically, these bureaus and offices have dealt with foreign *policy* and the diplomatic effort to implement it. They also have not historically implemented foreign assistance programs, and there is no reason that they should. The new trend should be reversed. Consolidation not fragmentation should be the new watchword. There is only one management bureau at State; only one bureau to set diplomatic policy for Africa or for the oceans. There should not be multiple offices implementing foreign assistance, each with

its own funds, procedures, and staffs. That is why the development agency exists. Without doubt, the regional and functional bureaus have an interest in assistance, just as the assistance agency has interests in diplomacy. Without doubt, the respective interests should be heard and appropriately incorporated within State's procedures. Without doubt, they should work together. But all of that is different from duplicating assistance agencies all over the department. The secretary is perfectly capable of setting policies and ensuring that they are implemented. If the president or the secretary feels that the incumbent director of foreign assistance or USAID administrator is not performing satisfactorily, they have an easy remedy: the director or administrator serves at the pleasure of the president. The current practice of "work arounds" is not the answer.⁵² They create precisely the fragmentation and consequent incoherence that has led Secretary Rice to the F process. From time to time, a case can probably be made that a particular assistance program should be housed in a regional or functional bureau, but the burden of persuasion should be extremely heavy. Personal ambition and turf should never be a reason, whether overt or covert. Moreover, existing programs should be reconsolidated and reassigned to USAID or whatever development agency follows it. Future proliferation of programs and initiatives should be halted. The principle should be clear and all but inviolable that assistance belongs in the assistance agency, not scattered about.

Second, the principles of self-restraint, parsimony, and some humility should be resurrected. The foreign assistance portfolio suffers not only from organizational proliferation but also from programmatic proliferation. Especially early in their terms, presidents, secretaries, and administrators are prone to launching "initiatives." Sometimes they are program initiatives, such as PEP-FAR or the MCC, and sometimes they are organizational initiatives, like reorganizing the bureaus, creating new offices, or rearranging existing offices. Almost always, the initiatives carry a plausible rationale. But they all have costs, including enormous amounts of staff time and energy. Many lead to programmatic and organizational fragmentation. The question is not whether there is a *plausible* or even *appealing* rationale, but whether it is *compelling* and whether the benefits outweigh the costs. "Leaving a mark" is a poor reason to reorganize a bureaucracy. The regional bureaus at the Department of State, for example, have been reorganized only once (very recently and dubiously) in the past decades. The regional bureaus at USAID have been reorganized a half-dozen times, just in the past 20 years. The technical bureaus have also been revised about the same number of times. Serious cabinet-level departments do not keep reorganizing themselves. They find ways to accommodate new challenges and new missions within their existing structures. Some of this restructuring is based more on architectural narcissism than on necessity. It is not a mature approach to organizational design and should end. Equally important, institutional design creates its own incentives and procedures. A better understanding of organizational sociology would help a lot. Several simple, obvious questions should be asked and answered honestly: How much will this program or reorganization contribute? Is there a way it can be accomplished within the existing programs and organization? If not, is the cost (which is almost always borne at the lower levels, not the upper ones where the initiative originates) truly worth the benefit? Again, the bar should be very high, the burden of persuasion very heavy. The basic principle should be clear: leave things alone unless there is a clear and compelling reason to change. Reorganization is a last not a first resort.

52. Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, *A Reliance on Smart Power—Reforming the Foreign Assistance Bureaucracy*, 110th Cong., 2nd sess., July 31, 2008, http://hsgac.senate.gov/public/_files/RichardTestimony073108.pdf.

Third, the new director of foreign assistance and administrator of USAID should attend as a first priority to foundational problems that have corroded the delivery and effectiveness of U.S. foreign assistance. Deciding which bureau has responsibility for the program in Tajikistan is not one of them. They are, instead, the very unglamorous operational functions that deal with personnel, procurement, and legal interpretation. The hemorrhaging of experienced personnel without a plan for replacement has belatedly but at last been recognized. Recruitment is a good place to begin, but much more than that is afoot. The entire current system of recruiting, training, and assigning personnel is in shambles. Computers make the initial cuts in recruiting. Some of the disarray is due to inattention. Some is due to conflicting and changing interests between the needs of the government as a whole and those of the officer corps. Some is due to changing social, cultural, and economic contexts, in particular the requirements of dual-career families. These are serious problems with mostly suboptimal solutions. The procurement regime, including the rules, regulations, and practices, is in dire need of review. There is no point in calling for an agency to exhibit flexibility and imagination if the procurement system prevents both. The procurement rules—and the extremely cramped interpretations put on them—favor, indeed require, protracted complexity, and they delay with overly complicated requirements those who are asked to manage the procurements as well as those asked to bid on them. The entire procurement system, including the culture of the procurement officers, needs to change. That change also needs to include a change in the legal framework and its interpretation. Legally, it is always safer to counsel inaction or to apply an unduly narrow interpretation to any regulation. No one can be accused of illegality if there is no action. That is the safe harbor. But it is also ossifying. These are the logistics of foreign assistance: personnel, procurement, and legal interpretation. Without attention to logistics, every army grinds to a halt no matter how brilliant the frontline tactics. Every military has learned that lesson. Logistics is at the core, and the logistics of foreign assistance are badly broken. Before any other reorganizations or initiatives, the next director and administrator of foreign assistance should attend to these core problems.

Fourth, the policy function of foreign assistance has been eviscerated over the past several administrations, but particularly in the Bush administration. In one of USAID's many reorganizations during the Clinton administration, its policy and budget functions, which had been housed in a single bureau, were separated. The result was that budget had no guidance other than good accountancy and policy had no enforcement mechanism. In the Bush administration, the entire bureau was sucked dry by the first director of foreign assistance—consumed by an accountancy mentality in which policy played no significant function—as part of his F-process reorganization. USAID's most senior policy position, that of the assistant administrator for policy and program coordination, presiding over the now-desiccated, emaciated bureau, was subsequently used instead to support a totally unnecessary split in the Asia and Near East Bureau. The F staff is entirely budgetary. Hardly a trace is left of policy, to say nothing of evaluation, although a skeletal policy staff has recently been recreated. Consider this simple statement, which is unfortunately true: the primary implementer of U.S. foreign assistance has no serious policy operation; it lacks both effective policy and logistics.

Fifth, the result is that the rich discussions between the field and Washington over assistance strategies for this or that country no longer exist. Once the proud hallmark of the U.S. approach as distinguished from the centralized, capital-based approaches of most other donors, the discussions have been replaced by bureaucratic horse trading, hypercentralization, and accountancy. That discussion should be recreated. Nothing should be more important to the head of a regional bureau

and the head of a reconstituted policy and budget bureau than the country review every few years of what the United States is doing, why, and (rigorously) what has been learned.

The list could go on. There are other important problems. The real point is that none of them would be solved by creating a new separate cabinet-level department. Nor do the proponents of such a department claim that its creation would somehow by itself solve these problems. But neither is there a need to elevate the development portfolio to a separate cabinet-level agency to solve them. They can and should be addressed in the current structure. Unfortunately, they may be less likely to be addressed, at least imminently, if a separate cabinet agency were created, because these basic problems would be accompanied as well by a whole host of additional ones attendant on the creation of a new cabinet agency. Again, the Department of Homeland Security, although entirely different, should pose some cautions. And as already noted, the time and energy required to create a new department could be better spent on dealing with these fundamentals.

All of this depends on a committed secretary of state prepared to put development and diplomacy on some kind of par; willing to reign in the proconsular proclivities of some ambassadors, assistant secretaries, office directors, and USAID mission directors; intent on keeping the diplomacy function and the development function distinct but integrated; serious about organizational nonproliferation and reintegration; prepared to deal with the unglamorous foundational problems; staunch in reinvigorating the intellectual, policy, and programming contributions that the United States once made; and prepared to make those responsible for development engage in the craft of designing development programs that are at once faithful to the particular country context but also mindful of general learning. Absent that committed secretary, perhaps those who argue for a separate development agency, cabinet-level or not, are right: State can't be trusted to handle development and diplomacy at the same time.

Principles of U.S. Foreign Assistance

Ultimately, however, the debate over structure is really a debate over philosophy: What kind of foreign assistance program should the United States have and on what first principles should it be based? Ideally, that philosophy should be organized by and encoded in structure, and leaving aside historical allocations of bureaucratic turf, form should follow function, whether in physical or organizational architecture. If foreign assistance is about poverty reduction, represented by the UN Millennium Goals and humanitarian relief, perhaps a separate cabinet agency would be appropriate, although even those seemingly straightforward objectives have foreign policy dimensions as well. In that case, any new development agency could be and would be relatively small. However, if foreign assistance is about broader development, then a variety of elements—including economic growth, macroeconomic policy, trade, health, democracy, failing or fragile states, conflict, ungoverned spaces, transnational threats, security, and so forth—contributing to ultimate sustainability and self-generated prosperity would be part of the assistance mix. In that case, a separate cabinet agency might be possible, although the nonhumanitarian focus directly engages foreign policy interests, turf wars between State and the new department would be inevitable, and a separate agency would not, in my view, be optimal. However, if development is part of a broader U.S. foreign policy, indeed of its national security policy—and most of the proponents of a separate cabinet-level agency also seem to support that perspective—then, aside from the practical problems associated with the creation of a new department mentioned earlier, it would better be placed

in a complex connected to the Department of State, which of course has the organizational lead on foreign policy.

In fact, the history of U.S. foreign assistance, its funding categories, the public defenses made for it, and its organization, are all evidence that it is part of a larger foreign policy and (recently) national security architecture. The next administration will have ample opportunity to revisit these assumptions should it wish to do so. There is little in the public record to suggest that either party wishes to do so. Moreover, although support for foreign assistance seems now to be higher among the American public than it once was, the public support is tentative and has been built on two principles, not just one: it is appropriate that a wealthy country do its part to raise the standard of living and the context in which the less privileged live; second, it is in the U.S. *national and foreign policy interest* that foreign assistance be provided. The second argument has been made as forcefully as the first. Indeed, if charity were the only principle, perhaps no government agency should be involved. Perhaps taxes should not be used as a basis for collective compassion. Americans already give to private charities in substantial amounts, amounts almost equal to the ODA provided by the U.S. government. ODA is certainly dwarfed by the combination of charitable giving, remittances, and trade.⁵³ At the very least, even if taxes were an appropriate vehicle for collecting alms, an appeal to charity would certainly put at risk the size and composition of the appropriation for assistance. Put in the vocabulary of charity, Congress would almost certainly appropriate far fewer funds than it does now and have different expectations for their use and results.

The risk too, as already noted, is that the argument for foreign assistance to advance foreign policy and national security objectives would hardly be settled. Any budget for foreign assistance and national security would presumably be appropriated to the agencies engaged in foreign policy and national security, particularly the Department of State, not to the new purely developmental department. There would then be at least two foreign assistance agencies to reflect both of the principles on which foreign assistance would be built. If the present funding proportions were to continue, the new department would be by far the smaller of the two assistance-providing agencies. It would have a seat in the cabinet, but it would be more isolated and weaker, not stronger. The seat would be occupied by a secondary secretary, not a primary one. Foreign assistance would be weaker organizationally, philosophically, and politically and perhaps most important, less effective where it counts most: in the countries that receive U.S. foreign assistance.

Perhaps, thinking more about the basic principles of foreign assistance, its role, and therefore how best to structure it, a new cabinet-level level department is the right choice, but if so, it should be done thoughtfully, for the right reasons, and with full comprehension of the functional con-

53. The Hudson Institute reports that for 2005, the United States provided \$27.6 billion in official development aid and \$33.5 billion in private giving (by far the largest of the OECD countries in each of the two categories). If remittances are also included, as Carol Adelman, the director of the Hudson study, argues they should be, then the amount of private giving was \$95.2 billion, nearly 3.5 times ODA. Carol C. Adelman, *Index of Global Philanthropy 2007* (Washington, D.C.: Hudson Institute, 2007), table 1, www.gpr.hudson.org/files/publications/IndexGlobalPhilanthropy2007.pdf. In 2006, U.S. ODA was about \$23.5 billion, private philanthropy about \$35 billion, and remittances about \$71.5 billion, for a total of just under \$130 billion (“about 48 percent of the total assistance by all OECD donors”). U.S. private giving together with remittances constituted nearly 5.5 times the U.S. ODA in 2006. In each category, the United States is by far the largest donor. For example, in 2006, the United Kingdom, the second-highest OECD donor, provided approximately nearly \$12 billion in ODA, \$2 billion in private philanthropy, and \$7 billion in remittances, for total of nearly \$21 billion. Carol C. Adelman, *Index of Global Philanthropy 2008* (Washington, D.C.: Hudson Institute, 2008), 20–21, <https://www.hudson.org/files/documents/2008%20Index%20-%20Low%20Res.pdf>.

sequences of that organizational choice. A new department may need to be created. USAID may need to be gutted and rebuilt. In either case, in what form should they be reconstructed? On what principles? With what authorities? In what constellation of organizational forms? With what relations to their counterpart agencies?

In short, the principles of foreign assistance should be revisited long before any reorganization is undertaken. A better, clearer agreement about the purposes of foreign assistance should be reached. Is it an element of broader foreign policy? To what extent should U.S. diplomacy serve foreign assistance and vice versa? More specifically, does transformational diplomacy have currency beyond the Bush administration? If not, what larger strategic concepts should guide foreign assistance? Principles and purposes should come first, then strategy, tactics, logistics, and organization, not the reverse. Only after principles and consequent missions are established should any reorganization be considered, and it should be considered in light of these more fundamental principles. In my opinion, foreign assistance is part of U.S. foreign policy, both for principled and practical reasons. The organization of assistance should therefore follow suit. But if the administration and the Congress disagree, then a different but clear set of first principles should be articulated instead, and likewise, organization should follow suit. Clarity of purpose, strategy, and then organization would also go a long way in settling the constant, incapacitating skirmishes over funding, programming, and organization. Following those clarifications, the development professionals could perhaps concentrate on the work of development rather than on constant reorganizations.

Finally, the deeper, more important question about organization, structure, and function is whether foreign assistance has significant effects on development, and if so, how much, under what conditions, policies, and programs, and with what organizational form? But that is a different question for a different time and place.



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