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Assessing Secretary of State Rice's Reform of U.S. Foreign Assistance

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Introduction

The September 11 terrorist attacks on the United States engendered a variety of responses: some domestic, some foreign; some short-term, some long-term; some direct, others indirect. The assault on the Taliban in Afghanistan was clearly one direct, immediate, foreign response. The establishment of the Department of Homeland Security was direct, relatively swift, and domestic. Among the long-term, indirect, foreign responses was a serious review and consequent reform of U.S. foreign assistance programs, and the role they play in U.S. foreign policy and national security.

In his second inaugural address and perhaps most pointedly in the National Security Strategy of 2002 and of 2006, President George W. Bush linked U.S. security, especially through the Global War on Terror, to the larger world in which we live. Defense, diplomacy, and development were to be the bases of a single, unified, interlocking national security system.

In that context, Secretary of State Condoleezza Rice was charged with the review, reform, and implementation of a revised vision of U.S. foreign assistance, the role it should play in transforming the world that produced the 2001 attacks, and (in consequence) a new foreign assistance paradigm. "All spigots" of foreign assistance would be coordinated with one another and also with diplomacy and defense. Whatever other purposes development assistance may have addressed in the past, it would now become a direct instrument of national security.

It would do so as a part of what Rice called "transformational diplomacy." Unlike traditional diplomacy, transformational diplomacy would not merely represent U.S. interests to other countries. Instead, transformational diplomacy would seek to change the world, make it better, more benign and secure, less likely to generate terrorism or be vulnerable to it.

Development would be an instrument in that transformation. For example, by addressing the weaknesses that cause states to degrade or fail, development would strengthen weak states and the lives of their people, thereby removing the "ungoverned spaces" from which terrorists could hatch and launch their attacks. More important, development would also remove the animus that galvanizes terrorists and gives them a sympathetic home from which to breed their venomous anti-Western, anti-American message. More broadly, development would help create a world of prosperous democratic states that address the needs of their citizens and act as responsible members of the international community.

The consequent changes wrought in the organization of U.S. foreign assistance under Rice's initiative have been substantial and controversial. Without addressing the underlying theory linking poverty, poor governance, weak states, and terrorism or the extent to which development can address them in a timely way, one can still assess the Rice reform on its own terms. First, what was done? Second, how did it work? Third, what was lost and gained? Fourth, on balance, how did the reform turn out?

The answer, in short, is that the reform, whose goals of transformation, transparency, and accountability are unassailable, has, in practice, dramatically centralized not only the large strategic issues but also the tactical ones. It has created an unwieldy system directed by a small core staff, which cannot possibly keep pace with the details necessary to make its own reform system work, let alone be wise or knowledgeable enough to make the good decisions the reform system requires. The reform has marginalized embassies in the design and delivery of assistance, although that defect was mitigated somewhat after the first year. And finally, the process by which the reform was created also marginalized those who might have made it better, especially the congressional oversight panels that would be asked to authorize and appropriate resources in its wake. The old system needed reform, and unquestionably the Rice initiative has brought improvements—but not nearly enough and at too high a price. For example, festering problems of fragmentation and incoherence have been addressed, but in a way that creates very substantial problems. Overall, the benefits of the reform have not been worth the costs.

The Reform on Paper

In early January 2006, Rice announced "a major change in the way the U.S. government directs foreign assistance." The change would link foreign assistance into her plan for transformational diplomacy and make the assistance program more transparent and accountable. On January 19 President Bush nominated Ambassador Randall L. Tobias as administrator for USAID (the U.S. Agency for International Development), and on March 29, the Senate confirmed the appointment. Rice designated Tobias to wear two hats: USAID administrator and director of foreign assistance (DFA), a position she created to implement the change. The director of foreign assistance would be treated, she said, as if he were a second deputy secretary of state. However, because neither the DFA position itself, nor its equivalence to the actual deputy secretary, nor for that matter Tobias as its incumbent was submitted to the Senate for confirmation, the "as if" appointment and its attendant rank were entirely internal. Rice intended to reorganize, reform, even revolutionize foreign assistance, or at least as much of it as was under her direct authority. So, legal details aside, Tobias understandably saw his job primarily as DFA and only secondarily as USAID administrator.

The reform addresses three issues. First, it seeks to make foreign assistance an instrument of the secretary's "transformational diplomacy." As the term suggests, all of the instruments at the secretary's command, including those of traditional diplomacy but now also those of foreign assistance, would be designed not merely to represent U.S. national interests to other countries and to affect those countries in ways that support our national interests, but also to change those countries internally: to transform them. Put more accurately, the transformation of those countries *is* in the U.S. national interest because transformed countries will be respectable members of an international system and will not threaten their neighbors, or any other countries, including the United States. A country about to collapse or one coming out of civil war is, Rice argues, ripe for harboring terrorists. It cannot control its own affairs, so it certainly cannot control terrorists who want to use it as a base and who are prepared to buy or coerce its leaders into submission. Afghanistan under the Taliban is the archetype. But, more broadly, under Rice's approach, poor countries would be better neighbors and international citizens if they were wealthier; authoritarian countries would behave better if they were democratic; all countries, especially the United States, would be better off in a world transformed. In short, leaving aside the advantages to their own citizens, it is in the national interest of the United States that the world be populated by countries like Denmark rather than like Myanmar, like Chile rather than like Ethiopia, like South Korea rather than like Egypt.

Second, the reorganization is designed to make U.S. foreign assistance more coherent. The collapse first of the Soviet empire and then of the Soviet Union itself brought additional fracturing of U.S. assistance programs. The bulk of U.S. foreign assistance funds had never been provided for purely developmental purposes. The largest amount had always been provided for national security reasons—for example, to help the Philippines as a tangible benefit for providing military bases; to strengthen Turkey in the eastern Mediterranean; to pay off Mobutu Sese Seko in Zaire presumably so he would not "go Communist" (or only slightly more realistically, so he wouldn't provide the Soviets with resources or a base of operations or support at the United Nations). To be sure, these funds were cast as development assistance or were "projectized" in a development mold, but their purpose was to advance U.S. security interests. At least partially in response to the rethinking following September 11, Rice was eviscerating that distinction in theory as well as in practice: *All* development assistance would be designed to serve U.S. national interests. Indeed, under the National Security Strategy of 2002 and of 2006, foreign aid should serve not merely the U.S. national interest generally, but the U.S. national security interest in particular. Under those two policy documents, defense, diplomacy, and development are of a piece—or should be—as elements of the U.S. national security strategy.

With the end of the Cold War, the "hard" purposes of U.S. foreign policy—aiding friends, punishing foes, securing military bases, and so on—dissipated. Without the discipline of the Cold War, *every* "good purpose" got not just a hearing but a pot of money. Different parts of the bureaucracy each claimed the need for resources to advance these many good purposes. However distasteful, even immoral, assistance to Mobutu may have been, from the banal perspective of bureaucratic coherence, assistance for Mobutu did impose a certain rationale on what was done and who did it. Post-Cold War, every good cause, especially if it had the support of one of the 535 secretaries of state at the congressional end of Pennsylvania Avenue, could get a piece of the splintered foreign appropriations bill. When the advice of Congress was added (in the form of language included in the committee reports that accompanied the appropriations bills), there was no interest group in Washington, certainly few self-respecting nongovernmental organizations (NGOs), that did not have a dedicated spigot of assistance and a bureaucratic office to champion it internally. And when the Clinton administration invited the domestic agencies to join in—Treasury to provide financial advisers, Justice to supply prosecutors, Commerce to help on "doing business," the Forest Service at Agriculture to worry about the woods of Bulgaria, and so forth—there was hardly a cabinet secretary who did not have a foreign policy and certainly none who did not have an assistance program. Rice thought this chaotic. And while she could not control Treasury, Justice, Commerce, or Agriculture, let alone Congress, she thought she at least should be able to control State, USAID, and the other agencies that supposedly reported to her. And so she told Tobias to fix the problem.

Third, the reorganization is designed at least to make this organizational cacophony more transparent as well as more coherent. When asked on the Hill the seemingly simple question of how much the U.S. government was spending on democracy promotion, Rice found that not only did she not know but that there was no way to find out definitively. In part, of course, the fracturing of purposes and institutional homes for assistance made it all but impossible for her to know. Since Justice was sending prosecutors, Labor was supporting unions or dealing with children in the workforce, and even the House of Representatives was, with its own appropriation, helping its sister legislatures, how could the Secretary of State know what exactly was being done or who did it or why or at what cost, let alone with what result? And even within her ambit, who was collecting information about all the different pots of democracy funds at USAID, in every regional bureau of State, and in many if not most of State's functional bureaus? The answer is that no one was. Moreover, what exactly counted as a democracy program? The fund in State's Office of the Undersecretary for Democracy and Global Affairs to support women's equality? State's exchange programs? All of the exchange programs? Only the ones for young political leaders? Not clear.

None of the deficiencies in the U.S. foreign assistance structure—the incoherence in accounts, the multiplicity of programs and authorities, the corresponding multiplicity in purposes, and the consequent opacity—were new. They were known to Rice's immediate predecessors. Deputy Secretary Richard Armitage, for example, set up a joint State-USAID working group to construct a coordinated strategy. But, really, prior to Rice, no secretary of state cared enough about assistance to devote the very considerable energy necessary to what, if anything, might be changed to address the problems. So, for example, although the joint State-USAID working group under Armitage produced some common objectives and even some common indicators of impact, the exercise amounted to relatively little. Its objectives and its indicators provided primarily a "chapeau" for business as usual. As long as the joint working groups produced documents in which every existing program could find a conceptual niche, the joint product could be endorsed, even enthusiastically, by everyone. No harm, no foul.

In part perhaps because she was embarrassed by her inability to answer the Hill question about spending on democracy, but more importantly because of her commitment to transformational diplomacy, Rice did care enough and was prepared to devote the energy and political capital to try to rationalize the system. After all, if assistance is to be a key lever in helping to transform other countries and if their transformation is to be the object of U.S. foreign and security policy, then assistance could not be a patchwork left to dozens of assistant secretaries, offices, and initiatives. It had to be disciplined to meet its post-September 11 objectives. Those in the assistance community, whether inside the government or among the NGOs outside, had complained that assistance was a sideshow, an orphan. Tobias was to provide not just affection but also some tough love. But, it turns out, they would not like it.

The Reform in Practice

Without an official, Senate-confirmed position as director of foreign assistance and therefore without a Department of State bureaucracy reporting to him, Tobias had to operate formally from his second-best but Senate-confirmed position as Administrator of USAID. To demonstrate his real mission and authority, however, he left the Ronald Reagan Building, where USAID is housed, and established an office on the fifth floor of the State Department. He took with him almost the whole of USAID's Bureau for Policy and Program Coordination, leaving the assistant administrator for that bureau with a rump staff and a lot of empty cubicles. In short, Tobias took what he needed most to State—the part of USAID that set goals, policies, and overall budget levels and that saw to their implementation. He left at the Ronald Reagan Building USAID's body, all of the operating units, the regional bureaus and the functional ones, but he lopped off its institutional head, the part responsible for USAID's internal coherence. To the Bureau for Policy and Program Coordination draftees, he added personnel from State (especially from its Bureau of Resource Management) and created the Office of the DFA. And to demonstrate that it had the *internal* status equivalent to the official deputy secretary, Tobias got a single bureaucratic initial like the secretary and the deputy secretary. The offices that constitute the secretary of state's "personal staff" and report directly to the secretary begin with the letter "S." So, for example, State's Policy Planning Staff is "S/P." Similarly, those that report directly to the deputy secretary begin with the letter "D." Lesser bureaus have more than one initial. For example, the Bureau of African Affairs is AF, Western Hemisphere Affairs is WHA, International Security and Nonproliferation is ISN, and so forth. To demonstrate his station near the top of the State pyramid, Tobias took "F," presumably for Foreign Assistance. Henceforth the reorganization would be known internally and externally as "the F process" and his office as the "F staff." Not perhaps a seminal event to outsiders, but in a bureaucracy, such things are significant. They are intended to signal and therefore to shape authority.

The F Matrix

To achieve both coherence and transparency, F created a five-by-five matrix and definitions <http://www.state.gov/f/c23053.htm; and http://www.state.gov/documents/organization/93447.pdf>. On one axis are five objectives. Three are similar to those of the Millennium Challenge Account: Economic Growth; Investing in People; and Governing Justly and Democratically. The other two are Peace and Security, and Humanitarian Assistance. Each objective is broken down into program areas; each program area into program elements; and each program element into sub-elements. In addition to the general definitions for each objective and program area, each program element and sub-element has a definition elucidating the appropriate activity. Finally, there are some global or regional support activities like research and personnel and evaluation that cross all of the objectives. This is the universe of (presumptively transformational) activities that can be funded. Conversely, an activity that is not credibly within one of these objectives, program areas, program elements, and sub-elements cannot be funded because by definition it would not contribute directly and meaningfully to transformation. Therefore it cannot be part of the transformational diplomacy of which assistance is now an integral part.

On the other axis are five types of country: Restrictive, Rebuilding, Developing, Transforming, and Sustaining Partnership. This is the ladder of country types or stages that defines the transformational process. Each of the five transformational stages on the one axis of the grid is associated with an appropriate set of activities from each of the five objectives on the other axis. The Economic Growth activities appropriate to a Rebuilding Country will not be the same as those for a Developing Country. The Governing Justly and Democratically activities appropriate for a Developing Country will not be the same as those for a Transforming Country, and so forth. Every assistance-receiving country was assigned to one, and only one, of the five country types. The list was sent to Rice, who personally approved every country assignment.

The purpose of the five kinds of objectives (and their subsidiary program areas and elements), together with their associated assistance, is to help move a country up the ladder from Restrictive or Rebuilding to Developing, from Developing to

Transforming, and from Transforming to Partnering. A fully transformed world would consist entirely of economically comfortable, healthy, educated citizens living with free markets in democratic countries, which together form a single, peaceful, secure international community of Sustaining Partnership countries. Getting to that admittedly utopian world is the purpose of transformational diplomacy and, in consequence, transformational development.

The New System: Washington Calls the Shots

At least one key to the reform — one way to assure coherence, transparency, and consistency with transformational diplomacy — is, as Tobias reiterated many times, that "Washington will define the strategy and the field offices will devise its implementation." The implementation recommendation will come from the field to Washington for approval in the form of an operational plan that specifies exactly how the allocations made by Washington for the strategy devised in Washington will be accomplished. But the strategy would be defined in Washington and sent to the field for its views on operational implementation. In short, strategy in Washington; implementation in the field.

In spring 2006, interagency groups met to give concrete definition to the objectives, program areas, program elements, sub-elements, and their constituent activities, and then, for each country, to define the appropriate strategy and allocate the proper amount of resources to each. Since no activity would be funded unless it appeared on the matrix, this was not a simple matter. Participation was broad, and the organizational stakes were high. In theory, the participants were to approach the task from a purely theoretical, developmental approach, as if they had no other interest in the outcome. Of course, these "theoretical" discussions quickly became intensely bureaucratic if not personal. Everyone with a breathing boss and a parcel of programmatic property to defend came armed and ready. No attempt to winnow or prioritize went unchallenged. Tempers flared from time to time. Animosities ensued.

The result was a 61-page, single-spaced compilation called "Standardized Program Structure and Definitions." Peace and Security has 6 program areas, 28 program elements, and 85 sub-elements. Governing Justly and Democratically has 4 program areas, 18 program elements, and 70 sub-elements. Investing in People has 3 program areas, 13 program elements, and 116 sub-elements. Economic Growth has 8 program areas, 28 program elements, and 111 sub-elements. And Humanitarian Assistance has 3 program areas, 9 program elements, and 25 sub-elements. Together then, the United States will provide assistance serving exactly 5 objectives, 24 program areas, 96 program elements, and 407 program sub-elements, not more, not less.

Moreover, each of these units is defined precisely. So, for example, under the Health program area of the Investing in People objective, Malaria (a program element) has eleven sub-elements in which Insecticide-Treated Nets to Prevent Malaria is distinguished from Indoor Residual Spraying to Prevent Malaria.

Similarly, under Governing Justly and Democratically, the Justice System program element under the Rule of Law and Human Rights program area has four sub-elements in which the Washington strategists for, say, Guatemala, would define the activities and allocate funds for the sub-element of Justice System Actors as against the sub-element of Operations of Institutions and Actors (assuming that either sub-element were appropriate to the strategy for Guatemala). And to support Economic Growth in, say, Mali, the matrix will specify precise funds for Trade and Investment (one of the eight Program Areas under Economic Growth), including maybe: Trade and Investment Enabling Environment (one of the Program Elements), which would be divided among Sub-Program Elements like Mainstreaming Trade for Growth and Poverty Reduction; Trade Liberalization and Agreements; Trade Facilitation; and Support for International Standards. And each of these sub-elements has a definition into which any funded activity must fit.

In reality, it is the other way around. To ensure transparency and cohesion and Washington control over strategy, the activities in Guatemala or Mali or any other country are no longer designed or proposed by the respective embassies and USAID missions as they were before. Instead, over the summer of 2006 core country teams were assembled in Washington (assuming they were appropriate to the strategy for Guatemala or Mali) for each of the 130 or so assistance-receiving countries. Just as for the exercise in defining the assistance universe—the one that produced the 61-page, 407 sub-element compendium—the exercise was open to all interested units. As before, each team was to come prepared to "think strategically" about the country, its needs, and U.S. interests in it. More specifically, each team was to consider how the "strategic allocation" of assistance could induce movement of the country up the transformational ladder. To ensure that strategic perspective, the core country team meetings were chaired by F staff. Members were specifically enjoined to "leave your bureaucratic hat at the door." They were enjoined from coming to lobby for their organization's pet project or approach, which, as in the spring definitional exercise, is exactly what most of them did.

Each core country team was given a budget target to allocate among the 96 program elements and was to do so in the one-hour meeting called for that purpose. (Program sub-elements would be left to the implementing entity whether in the field or in Washington. Moreover, the core country teams were to be agnostic about which entity would ultimately be called upon by the DFA to implement the program. No doubt the right policy call in principle, the fact is that implementing particular programs was precisely the bureaucratic hats they were enjoined to leave at the door. So the ambiguity about who would subsequently be chosen to implement the program created substantial incentives to define the programs in ways that made particular bureaucratic entities the obvious choice for implementation.) "Thinking strategically," each core country team was to populate with exact dollar amounts in as many cells as it thought the transformational strategy required. Precisely how many dollars should be allocated for each of the objectives, program areas, and program elements necessary (or at least useful) to help move that country up the transformational ladder? In the presumably unusual case where the team reached the conclusion that the budget was too low, each was allowed to put in a "reclama"—Spanish for "claim" but used to mean "appeal"—for additional funds with specifics justifying the need in terms, of course, of advancing the transformation. Not surprisingly, almost every core country team produced a reclama, which was submitted to a committee usually chaired by an appropriate deputy assistant secretary. When that committee (almost invariably) agreed that additional funding was necessary, the reclama moved up to a committee usually chaired by an assistant secretary and so on, up to Tobias and from him to Rice herself.

So each of these teams sitting in conference rooms at State were to decide what exactly the transformation of, say, Bangladesh, Bolivia, or Burundi required. Most teams met more than once, but three times was almost always the limit. They would pass their requests along up the chain to, finally, the secretary of state. As only one indication of her support for this revolutionary procedure, she personally approved every spreadsheet and resolved every reclama sent to her.

Having defined the strategy down to the program elements and the budgets associated with them, the operating units in the field (or less frequently, in Washington) were asked in fall 2006 to produce an operational plan for the strategy's implementation. The operational plan was to include every grant, contract, or other obligation that the operating unit intended to award to give effect to the cells of the country strategy it had been given by the core country team in Washington. The operational plan would be submitted to Washington for review and approval. So, for example, if the Washington core country team had decided that Congo should spend $2.5 million for Insecticide-Treated Nets to Prevent Malaria and $1.3 million for Indoor Residual Spraying to Prevent Malaria in fiscal year 2008, the operational plan for Congo would include pages explaining how the country team in Kinshasa intended to fund the implementers for each program, how long the program would run, a description of the activity, and (most important) what transformational results would be achieved.

The detail requested in the operational plan was substantial. Every grant and contract had its own page(s). Every implementing element was to be elucidated. Consequently the 2008 country operational plans range from about 75 pages to about 450 pages. The operational plan for the Washington-based Bureau for Health was closer to 1,500 pages. Each post (the embassy and its component parts, especially when it had one, the USAID mission) spent the fall and early winter of 2006 filling out the various cells and explaining what it would do, square by square. Very little else got done during that period; certainly very few obligations were made. Indeed, so detailed were the operational plans and so taxing their construction and Washington review, that for many countries the appropriation for fiscal year 2007 (October 1, 2006, through September 30,

2007) was still not fully approved by summer 2007, a mere three months before the end of the fiscal year.

Moreover, the burden of the DFA process together with the hypercentralization of decision making virtually eliminated the prospect that the posts would also work much on the five-year strategy they were simultaneously asked to begin preparing. More to the point, under the "strategy in Washington, implementation in the field" principle, the field was left more than a little perplexed about its authority to define a seemingly irrelevant five-year strategy, since that was unambiguously Washington's prerogative.

Washington Revises the Plan

Unfortunately, the tasks both for the field and for Washington were complicated further by the revisions requested by the DFA staff before the operational tasks were near completion. As the F staff indicated from the outset, this would be a difficult process because, to use its analogy, the plane was being redesigned and rebuilt while it was still flying over the Atlantic on its pre-reorganization schedule. Unfortunately, the U.S. government budget timetable did not change to accommodate F. The White House Office of Management and Budget (OMB) still needed its requests and rationales on schedule. Congress still had its appropriation procedure. But as the F staff received questions or comments or materials, it tinkered with its modifications to the still-speeding plane. Moreover, the incredibly compressed schedule—everything done over the summer and fall—required that the core country team meetings be called on a day's notice, that materials from F come within hours of the meeting, and that the meetings last no more than 60 to 90 minutes. Within that window, the core country teams were told to reach agreements (or define concretely and precisely their disagreements) and forge their reclama priorities. Meanwhile, for the pilot (i.e., the staff at each post), the original changes were problem enough, especially since the plane was in the air—the old plane was still flying and still needed to be piloted—and the changes had at least as many downsides as upsides, maybe more. But reconstructing the plane, then constantly changing the changes, all the while asking for more and more data from the crew flying the plane, had its problems. In short, leaving aside the underlying rationale itself, the entire process was too compressed, suffered from too many course corrections, too many outright course reversals, and too many (no doubt useful) intermediate assignments from Tobias and the F staff.

The Old Regime: Greater Decentralization

This entire reform reversed the principles of the foreign assistance ancien regime. Based on the theory that those in-country and on the ground, so to speak, would have the better perspective on the assistance-receiving country's problems, its principal actors and their interests in reform, the programs of other donor nations, and so forth, the posts took responsibility for drafting the country strategies and submitting them to Washington for review and approval. They were ordinarily drafted by the USAID missions with relevant contributions from the other elements at the post. When there was no USAID mission, a member of the embassy staff wrote the plan. Before it was disbanded, the United States Information Agency was responsible for its own program and budget, independent from USAID's but coordinated with it. The same was true for military assistance, especially foreign military sales and the International Military and Education and Training Program. Each component of the country strategy had its own analysis and rationale (as did the whole), and each had a program described in what would approximately be program elements of the F system, except that there was no preordained, universal set of program elements but rather a *sui generis* analysis of the country and its developmental challenges. Integration of the program elements was the responsibility of the ambassador who submitted the strategy and budget request to Washington.

At least for USAID (and subsequently for the entire embassy program through a mission performance plan), strategies were reviewed by the relevant regional bureau, including its various technical officers as well as by those in the central or pillar bureaus of technical officers, and of course by USAID's Bureau for Policy and Program Coordination, the integrating policy bureau. Meetings were held on the various parts of the country strategy, and any issues that could not be resolved at lower levels were submitted to an official review meeting co-chaired by the relevant regional assistant administrator and, when the policy bureau was at its zenith, by its assistant administer. Again, the theory was one of subsidiarity and decentralization, disciplined by ex ante policy parameters to guide the strategy's development and an ex post review chaired by the two political appointees responsible for implementing the president's program for the region and globally, or at least by their principal deputies.

The theory was perhaps more effective in the abstract than in practice. Even in practice, however, it worked fairly well as long as the various authorities were respected between Washington and the field, between the regional bureaus and the central ones, and between the global policy bureaus and all of the others. Bureaucratic interests were constrained reasonably well. There were certainly problems with the system, including too much parochialism, the growing limitations on budgetary decisions imposed by congressional and administrative earmarks, and the often-artificial quality of the review of a voluminous document in which the mission had invested thousands of hours and which it therefore was loath to rewrite. (The review had sometimes the same aura of unreality as a dissertation defense, and for many of the same reasons: The proponent knew all the nooks and crannies; knew where all the vulnerabilities and possible inconsistencies resided; had decided on the best balance; and, most of all, was prepared to defend tenaciously, warts and all, the various issues that might be raised in the review and was not at all interested in changing much, review or no review.) It was the purpose of that review to subject the mission's analysis and consequent programmatic recommendations as well as their fidelity to the administration's assistance and foreign policies to a rigorous examination in Washington. Unfortunately, it is true that during the past two administrations at least, the leaders of many regional bureaus abdicated that responsibility, and the policy bureau was so constantly raided for personnel that it could no longer play its role either. Nevertheless, the system still worked reasonably well and certainly could have been reinvigorated. Moreover, even in its diminished state, innovations were tried from time to time, including a particularly promising one in the Bureau for Europe and Eurasia, which decided to do a conceptual and policy review one year early so that Washington and the field could reach a common set of policy and program understandings before the mission had committed even a single word to paper.

However, the old procedure did institutionalize a decentralized approach and, since there were so many programs outside the purview of the USAID review, Rice was correct that these various programs and pots of money did not cohere, especially the many that resulted from congressional earmarks. Moreover, as noted, the invitation after the collapse of the Berlin Wall to many departments besides State to develop international programs dramatically limited the purview of USAID and State-based reviews in Washington. Because these other programs were beyond the reach of the State review, any embassy was invited, even required, to stitch together a program from a patchwork of competitions run by different departments. Unfortunately, the dispersal of programs throughout the executive branch was exacerbated by a similar dispersal among offices within Rice's own authority: regional bureaus, functional bureaus, multiple causes and claims. The organizational decentralization, whether between departments or between offices and bureaus within State's purview, created programmatic satraps and institutional potentates and through them more incoherence by far than the geographical decentralization of authority to the field.

Assessing the Reform: Costs Outweigh the Gains

If these are the dynamics of the reform, how, on balance, do we evaluate the results? Naturally, the reform has both strengths and weaknesses. The final judgment is a matter of weighing the costs against the benefits. Surely no one would gainsay its objectives: the transformational purposes, the greater coherence, and the improved transparency. Whereas the end of the Cold War eliminated, or at least reduced—perhaps only temporarily—the rationale for buying geopolitical support with our foreign assistance funds, the resulting fragmentation called out for rationalization. The disparate, unwieldy programs and sub-programs for almost every conceivable good thing to do make an ungainly foreign assistance program, hard to describe let alone justify, especially if it is opaque even to the secretary of state. To be sure, it is a bit strange that the same secretary who, when at the White House, had participated in creating a host of organizations and mechanisms duplicating USAID functions (or functions USAID could have assumed with minor changes in mandate and major changes in budget)—the Millennium Challenge Corporation, the President's Emergency Plan for AIDS Relief, the President's Malaria Initiative, the Middle East Partnership Initiative, the Coordinator for Stability and Reconstruction, and others—was now puzzled to find problems of duplication and coordination. Still, Rice told Tobias to rationalize the jumble, choosing in the process to eliminate not very much of the tangle, but instead to add yet another organizational layer to manage, direct, and coordinate the complexity her administration had helped to create.

No doubt something was needed, and it is commendable that Rice would devote the substantial time, interest, and political capital to take on what most others have regarded as at best decisively secondary, even diversionary.

But is this the best way to solve the problem? And is the cost of this particular solution, and the method of its implementation, worth the benefit? On balance, I think it is not, and at the end of the day, the reform will necessarily be judged on its own merit, not on the valor of the effort that drove it.

Blurring the Line Between Strategy and Tactics

As noted, the single most important element in the foreign assistance reform is the centralization of strategy in Washington and implementation in the field. Here, then, between the core country team's allocation of funds by objective, area, and element, and the post's completion of the operational plan is the meat on the bones of that fundamental concept. But is the five-by-five Washington matrix with 407 possible sub-elements and a budget for each one really a strategy in any meaningful sense of that term? This scheme moves well down from strategy through tactics to, I believe, micromanagement.

It is a strategy when the Allied armies are ordered not to race eastward to Berlin and Prague or to push the Soviet Army back to the Russian border, but rather to wait for the Russians to move westward for a meeting on the Elbe. It is a tactical decision and certainly not a strategic decision that the 453rd Infantry Battalion's I Company should hold the line at the Elbe or that the Third Battalion of the 273rd Infantry of the 69th Infantry Division should make the contact near Torgau.

Similarly, it is a strategic decision to allocate more money to Russia than to Ukraine or to the Middle East rather than Latin America. It may even be a strategic decision to shift funds from Economic Growth to HIV/AIDS or, more generally, to Health. But it is a tactical decision to settle on the best way to spend those HIV/AIDS funds. Choosing exactly which of 96 program elements should be supported in Zambia and how much should be spent on each is tactical. These are decisions that the field usually has a comparative advantage over Washington in determining, just as the local commander had on the eastern front with Russia. Moreover, the specificity of the F matrix—especially the

407 sub-elements—provides more the illusion than the substance of strategic control by Washington. The matrix and its elements create a false precision. By the time all the sub-elements were laid end to end in the strategy sessions of summer 2006, most of what was in the existing programs remained. Very little could not be included in one or another of the sub-elements, and each operating unit attended meetings to be sure that the status quo ante did not change. Of course, future elements might not fare so well. But even then, a creative bureaucracy would surely find an interpretation by which the new program would really be just a variant of an existing one or would, at least with some stretch, fit into one of the 407 boxes.

Unfortunately, however, the text explaining the field's decisions and, as a result, the thinking and analysis that lies beneath it, might well be more constrained. Rather like the old story about the prisoners who had been incarcerated so long that they dispensed with the story and just shouted out the number of the jokes they had told one another dozens of times, the text sent to Washington would not consist of a well-articulated and reasoned discussion of, say, Bolivian decentralization as an answer to ethnic polarization between the highlands and the coast, or whether the Health program in Zambia should also address urban migration, but rather two numbers: 2.2.3 and 3.1, respectively. But, ironically, the material provided with these numbers actually allows less oversight by Washington. The detail and rationale provided by the narratives of the old system consist now primarily of filling in the prescribed boxes and describing the implementation plan, neither of which provides enough information to allow a serious Washington assessment of exactly what will be done and why. The formal detail of the boxes hides the actual detail of the programs and, more important, the larger strategic picture into which they fit. For that reason, the transparency of financial accountability—the ability to know exactly how many dollars are attributable to the Bolivian Decentralization program and the Zambian Health program—may be purchased at the cost of a truly strategic discussion between the field and Washington about what should be done in Bolivia or Zambia, and why. The truly strategic discussion between capital and field, the discipline of strategic thinking, is hidden by filling in the boxes.

Problematic Core Country Teams

The supposed advantage of the Washington-based strategy derives either from the view that the field-based proposals do not properly or sufficiently capture U.S. national interests (or the larger strategic picture) or that they are somehow biased by the "country-capture" of the posts. In either case, under the reform, Washington (through each core country team) is presumed to have the better, more comprehensive vision of U.S. strategic interests in any particular country. That is why Washington should determine, or at least review, strategy. The previous decentralized system derived from the premise that understanding the local context was critical, that flexibility in adjusting to changes in that context was also crucial, and that Washington should set the strategic parameters and then review programs for policy coherence and strategic fit, not draft the programs. No doubt, the steady stream of reporting cables—the *sine qua non* for advancement in State's part of the foreign service—helps keep Washington up to speed. But that is different, the old argument went, from the day-to-day contacts with key players and the nuances that could not easily be conveyed or adequately absorbed by cable. Indeed, the geographic decentralization of the American process stood in stark relief to the centralized procedures of, say, the European Union or the World Bank. Ironically, the World Bank (and, to a lesser extent, the EU) has in recent years been decentralizing for the very reasons the U.S. government decentralized in the first place.

However, if the core country teams are to replace embassy-based country teams, their members will need to compensate for the loss of the field-based knowledge, notwithstanding whatever advantages accrue from centralization. They will need to do so from at least two starting points. First, they will need at least to approximate the detailed knowledge and analysis of the country, which abandoning the field-based approach sacrifices. And both the knowledge and the analysis will need to be current, not warmed-over. Passing acquaintance is more likely to degrade than to improve the strategic analysis traditionally submitted by a knowledgeable post, however suspect the post's vantage point. Yet the majority of the core country team members in the first year's strategy-setting process had spent only a very limited amount of time on the countries to which they were assigned by their home offices and therefore had only limited knowledge of the country as a whole. Their primary affiliation was to some broader topical issue, like terrorism, the environment, or the economy. They had been assigned some number of countries to watch, sometimes only for purposes of the F process. Watching those countries was only one element of their responsibilities, and usually not the biggest one. So the meetings, held under pressure to arrive at bottom-line budgets quickly, were not nuanced discussions among country experts, notwithstanding the rhetoric of F. It is true that the respective State and USAID desk officers were prominent, sometimes predominant, members of the core country teams and that, through them, the views of the post were represented in the discussions. But there is a difference between being represented at the table by an agent—however knowledgeable, only one among a team—and drafting the document in the first place. The F process was guided by the ancient, weathered bureaucratic principle that whoever controls the first draft controls the process.

Second, quite apart from *knowledge,* the participants setting strategy need to be willing to look at the country from a U.S. *national* perspective, checking at the door, as the F staff said, the *interests* of their own bureaucratic homes. As already noted, too many members of the core country team represented bureaucratic interests, not general ones. Moreover, the intentional ambiguity about who would subsequently be chosen by the DFA to implement a program—in principle the right Rawlsian rule to get participants to think conceptually and strategically rather than bureaucratically about the programs they were recommending—created, in practice, precisely the bureaucratic incentive to define the programs in ways that made their particular bureaucratic entities the obvious choice for implementation and ensured that their programs were well funded. So, too many core country team members did not, as requested, put the analysis of the country first, but rather put first the desires of their organization and the intent to secure continued funding for it. No doubt, most honestly believed that the programs of their respective units represent the national interest of the United States as well as the developmental interests of the recipient countries.

But the point of the core country teams was precisely to force a common discussion, beginning with an analysis of the country, rather than merely to accept and relay the collection of individual programs. That, after all, is what the move from fragmentation to coherence was to be about. If the coherent budget were simply the result of collecting the preferences of all the parts, it would represent no advance over the fragmentation it was designed to correct. Yet, instead of a deduction from the character of the country and its needs (and the attendant U.S. interests), the core country teams too often produced the lowest common denominator of a set of budget bargains among stakeholders defending specific programs. Too many of the stakeholders came with programmatic turf to defend and instructions about bottom lines. In effect, they were primarily representatives to, not members of, a core country team.

To be effective, the core country teams also need a strong chair with the authority to define the agenda and the discussion and to ensure that the strategic issues are not hostage to parochial interests. Vigorous discussion, even disagreement, is welcome so long as it derives from the right kind of perspective. In effect, the chairs will need to neutralize any core country team members who don't check their interests at the door. It would be unfair to judge the entire process by its first year, especially since about 130 countries were necessarily considered *de novo* whereas subsequent years will build on the decisions of the first year. But the first year was not auspicious with respect to a disciplined discussion at the strategic level. The chairs were pulled in too many directions, often did not have sufficient command of the country to command discipline in the discussion, and did not seem to have enough authority from the DFA to impose discipline on the participants.

But no matter how committed the members and how disciplined the chair, a very specific programming process centered in Washington may inherently lose more than it can gain. The inevitable budget and programming trade-offs are harder for Washington-based officers to evaluate. The malaria expert in Kinshasa observes—lives with—not only the malarial problem but the economic, political, and military dysfunctions as well. Those working on economic policy can see the limitations of the educational infrastructure. And vice versa. The trade-offs over limited budgets may be more agonizing, but more informed, for the field officers. At least with the right will, each actor can understand where the others are coming from and can empathize with the costs of a reduced budget. And each also knows how the various grantees or contractors are performing, whether they are making progress and how much, what their real budget needs are, how much budgetary pipeline remains in their grant or contract, how the domestic leaders are responding, whether there really is the political will to effect the reform, what the other donors are doing, and so forth. Even with the best of will, the health, education, economic, or political specialist in Washington will not have that level of detail and nuance. So the Washington trade-offs are inherently more organizational, more a matter of abstract barter, than in the field.

Third, in addition to the right approach and the right process, these strategy-setting decisions require more than one or two hour-long meetings. It is not possible to have even a reasonably coherent discussion of, say, Colombia, among five objectives and 96 possible program elements, let alone make budget decisions about them, in two or three hours. Such exercises at best pantomime a coherent discussion. Whatever its shortcomings, the old way was surely better.

So, to make this approach work better than the decentralized one, the Washington teams need to be both *willing* and *able* to make better, more informed, more strategic decisions than the post. Core country team members need to know the country, truly to leave their bureaucratic interests behind, and to have a chair able to understand strategy and impose discipline. None of this has happened. Moreover, it is not clear that it could happen. Is it really possible for a Washington-based interagency group to decide, for example, exactly how much funding should go for malarial nets as against malarial sprays in Congo?

Recognizing these concerns, the F staff initiated some welcome modifications for the fiscal year 2009 process. First, posts have been asked to send to Washington a 2009 mission strategic plan in which they indicate their recommendations for dividing a country target budget (supplied by the DFA) among the 96 program elements. Their respective State and USAID regional bureaus will review and respond to those recommendations. Second, the submissions will also be reviewed by the functional teams, the ones that designed and defined the objectives. The functional teams have been asked to prioritize countries for achieving regional or global success for their objective (what are the most important countries for reducing the scourge of AIDS, for example), and they may recommend funding adjustments based on that analysis. Meanwhile, the core country teams will be replaced by (fairly similar) assistance working groups, chaired by the F staff and the regional bureaus of State and USAID. The assistance working groups will review (rather than initiate) the mission strategic plans and the functional teams' recommendations. Based on that review (and so long as they stay within the DFA's regional target budgets), the assistance working groups can revise the mission strategic plans and also propose reclamas for increased budgets. These modifications seem to be in the right direction, but it is too early to know how well they will work in practice and whether they will be sufficient amelioration.

None of this is to suggest that Washington should completely decentralize authority. The field officer knows the nuances of Congo or Bangladesh or Kazakhstan, but Washington, not the field, should define the U.S. national interests and policies in a country as well as any trade-offs between them. Moreover, it is Washington that needs to decide between, say, Congo, Zambia, and Kenya and between Africa, Asia, the Near East, and Latin America. The level of aid for specific countries and regions still needs to be set in Washington, and it is still the secretary of state, not the dozens of ambassadors or mission directors, who is responsible for overall U.S. foreign policy, of which assistance is a part. Washington ought to subject the country programs to a vigorous policy and performance review. Indeed, Washington ought to be taking an active role in the construction itself. And Washington ought to set strategy, in the proper sense of that term. But it ought not to be the actual carpenter, mason, plumber, and program officer.

Insufficient Time for a Revolution: Only One Fiscal Year

Even if the core country teams were to become more committed and disciplined, more time and attention would be needed to set strategy properly. The teams would need to convene more than just during the budget season. As noted, they would need to develop some level of common purpose, at least some group identity, and some common understanding of the country. But the Bush administration has, in effect, only the one fiscal year of 2008 (October 1, 2007, to September 30, 2008) to complete the reform. To be sure, it will submit a second budget for fiscal year 2009, but Congress will almost certainly not finish its appropriation process in time to pass the budget by October 2008 when the *next* fiscal year begins—Congress hardly ever does—especially because most of FY 2009 will be the responsibility of a new administration. Congress would be appropriating in the summer of 2008 for a fiscal year that would begin almost one month before the presidential election. And since Congress is in Democratic hands, it has reasons to pass a continuing resolution rather than the last full budget of the departing Bush administration. Moreover, every new administration, no matter the party, places an immediate hold on the plans it inherits, and conducts a bottoms-up review to see what fits with its mandate, which elements it will keep and which it will seek to modify or eliminate. Putting all these elements together—the normal delays in congressional appropriations, the impending change of administration, and the partisan differences over budget—the Bush administration has, as a practical matter, only one fiscal year in which to remodel its flying plane. It would be different if the reorganization had been the result of a bipartisan consensus compelling to Congress and perhaps even the next administration. But it was not. It was designed and implemented by a small F staff under the direction of Rice and Tobias.

To be sure, the Hill and interested parties outside government were briefed. But as Representative Tom Lantos, Democrat of California and chair of the House Committee on Foreign Affairs, noted at a March 8, 2007, Committee Hearing on Foreign Assistance Reform, there is a difference between briefing and consulting and also between briefing and co-ownership. These sentiments of congressional concern about process and consultation were echoed a few weeks later by Representative Nita Lowey, Democrat of New York and chair of the House Appropriations Committee's Subcommittee on State, Foreign Operations, and Related Programs. Speaking to the Society for International Development on June 6, she said: "While I, and many others, welcomed the ambitious plan at State and USAID to rationalize and streamline the use of taxpayer resources to achieve measurable impact, its execution has left me with deep unease. I have heard from career Ambassadors, [USAID] Mission Directors and Assistant Secretaries who have lamented the top-down manner in which funding decisions were made."

A reform of this dimension should have been begun in the first term or at the very latest in the first year of the second term, not the third year of the second term. And it should have been far more inclusive, not the child of a small staff on the fifth floor of the State Department. The idea that the entire design, organization, and execution of this revolution would be completed in one year and under these conditions stretches credulity. It verges on the irresponsible.

Of course, it is entirely possible that the secretary of state in the next administration will look at Rice's reform with gratitude. After all, the Rice reform consolidates a fragmented, decentralized system with a system directly under the control of the secretary. It provides the secretary direct—not just indirect—authority and control over an $11 billion program. That alone will almost certainly be appealing. And it will be put to the new secretary in a most attractive way: Would you prefer to keep direct control of this $11 billion program, or would you prefer that it be decentralized again to a recalcitrant bureaucracy?

Improbable Theory of Earmarks

An additional sweetener for a new secretary would be the reduction of earmarks anticipated by Rice. She has argued that by seeing the underlying rationality of the allocation sent to Congress and by demonstrating as well its complete transparency, Congress will engage in less earmarking.

It is an unusual theory about why Congress earmarks. No doubt some members have been frustrated by the complexity of the foreign assistance budget and its proliferation and fragmentation of programs. And it cannot have been reassuring that the secretary of state was unable to give a neat and definitive answer about how much is being spent for this or that cause. A more transparent, rational budget might well result in fewer earmarks. But the more conventional theory is that congressional earmarks are the results of the strong policy views of its members and the intensive lobbying of various interest groups. Members run for Congress, in part at least, because they have policy views, and they use their committee assignments in part to advance those views. The subcommittees that appropriate foreign assistance are not engaged in dispensing domestic pork, but for that very reason they disproportionately attract members who have a policy interest in the area. However, as the assistance funds have grown, they have kindled a light domestic industry in receiving and programming those funds. The recipients have a direct economic stake in the outcome of what is funded. Ironically, it is the nonprofit sector, the NGOs, that is the most aggressive on Capitol Hill in seeking to influence the allocation of foreign assistance. The for-profits have views of what should be done, but they adapt more willingly to actual decisions.

Moreover, the complexity and fragmentation of the foreign assistance accounts arise in part because of Congress itself. A good portion is the direct result of identifying programs and preferred recipients either in the appropriations bills or in the voluminous committee reports that accompany them. Indeed, each year brings a prolonged post-appropriation negotiation between the executive and legislative branches about which earmarks will actually be honored and which, for example, may have been included only to mollify a particular group without any real intention of being respected. The earmarks cannot all be honored, everyone agrees, if only because their number and total amount of funds usually exceeds the appropriation itself. Notwithstanding its protestations, Congress is probably ambivalent at best about reducing earmarks enough to achieve the transparency and coherence Rice seeks and believes Congress will accept. So perhaps she is right that in response to a more rational and transparent system, Congress will accede to her request and dramatically reduce the farcical number of formal and informal earmarks. But that seems unlikely.

Dumbing Down the Indicators

Congress may not be so pleased either about the new reform's treatment of results indicators. Measuring results has a torturous history that reached something of a crescendo during the Clinton administration with the reinventing government reforms introduced by Vice President Al Gore and the attendant Government Performance and Results Act (GPRA) of 1993. GPRA provides that each agency submit to the Office of Management and Budget and to Congress a strategic plan for its activities including: "a comprehensive mission statement" covering its major functions and operations; a statement of its general and its "outcome-related" goals and objectives; a description of how they are to be achieved, including "operational processes" and the resources necessary to meet the goals and objectives; a description of the "program evaluations" by which it establishes and revises its goals and objectives; and so forth. Unobjectionable in theory, each agency is required to produce (preferably quantifiable) indicators to measure the extent to which it is achieving results. So under GPRA each year, OMB "shall require … an annual performance plan covering each program activity" which must include: "performance goals" expressed "in an objective, quantifiable and measurable form unless authorized [by OMB] to be in an alternative form," and "performance indicators to be used in measuring or assessing the relevant outputs" and "a basis for comparing actual program results with established performance goals" and the "means to verify and validate measured values."

Too many agencies, Congress argued, had been reporting on inputs (what the agency provided and how much that cost) and outputs (what it did with the funds, e.g., extension services, additional personnel, longer hours, training, equipment, grants, and so on), but not on what those inputs and outputs actually produced. The taxpayer should care about what was achieved, not about how much was spent and on what things.

GPRA-type results are not difficult to quantify if the agency is engaged in direct services to the public. For example, the U.S. Postal Service could measure the average time it takes to deliver a letter from New York to San Francisco and the number of undelivered letters. Amtrak could develop quantitative measures on the condition and timeliness of its trains and the number of passengers as well as customer satisfaction. Even the State Department can report on its passport services. Those results can be weighed against the income and expenses of the postal system or Amtrak or the Passport Services Office. Congress and the public can judge the results.

Development, though, is a bit more amorphous and therefore harder to measure quantitatively, especially on an annual basis. In quantitative terms, exactly how much additional economic development, health, and democracy *were* achieved in, say, Bangladesh between October 1 of one year and September 30 of the next? Hard exactly to quantify, let alone to know how much of that to attribute to U.S. assistance programs. Nevertheless, since 1994, most U.S. agencies, including USAID, have tried to do just that. They shifted from measuring inputs and outputs to measuring results, or at least they did their best. Tobias reversed that, temporarily, he said, in part apparently because State, unlike USAID, had not taken GPRA so seriously. Although assistance agencies are projected to universalize the reporting of results in the future, they are, for the moment, reporting mostly output indicators. The step backwards from results to outputs—"dumbing down the indicators," as one F staffer put it—may therefore not be well received by either OMB or Congress.

Perhaps more important than mere reporting, indicators are supposed to point out whether a program is on target and, if not, to suggest that a change in course or method may be necessary. Indicators are only one measure of the need to change course. At least as frequently, course changes are initiated because the situation in a country has changed: The entire political and economic dynamic may change; key interlocutors may leave the scene or turn out to be ineffective, or worse; actual responses may differ from those anticipated; budgets may change, or administration priorities. It is far from clear how changes will be accommodated under the new F reforms, and the omens do not auger well.

Unless modified, apparently most adjustments from the approved budget or from an approved operational plan will require the approval of the DFA office and, if one reads the instructions at all literally, by the DFA personally. Understandably, to achieve transparency and coherence, the approved plan cannot simply be left to the operating units to alter in any way and to any degree they see fit. That would, effectively, be decentralization all over again. But the rule that no change be made without DFA approval will create an hourglass $11 billion wide at the top but with only a few people—ultimately just the DFA—at the aperture. Either requests for change will simply pile up to the point that DFA will be immobilized, or programming changes will not be requested, notwithstanding changed conditions. Gridlock and micromanagement will grind assistance to a halt unless there is some decentralized latitude somewhere in the system, if only within a much larger F staff.

Little Room for Learning

Similarly, foreign assistance is not a static enterprise. Policies and methods are—or were—under constant review. Donors and implementers trade experiences and conclusions about what works and what does not. The last major reorganization of USAID, undertaken by the Clinton administration, pooled most of the technical officers from regional bureaus into central ones precisely to share experiences across geographical boundaries. If an approach had been tried and found successful in Paraguay, that lesson ought to be shared with technical officers working on a similar problem in Bangladesh or Romania. Maybe the lessons would transfer, maybe not. But funds were allocated to technical leadership to try to sort that out. Under the DFA process, it is far from clear whether and how that will happen. Who will be the client for such technical leadership projects, and how would the projects be organized? In many cases, the actual work is conducted in a partnership under a grant or contract between the U.S. government and an NGO, university, think tank, or company. Who will have the mandate, funding, and accountability for technical leadership and learning lessons? If it is no one in particular, that important work is much less likely to get done.

Hard to Account for Cross-cutting Programs

Likewise, under the Clinton administration reorganization, the globalized technical offices were encouraged to think about synergies between areas: How does good or bad governance affect economic growth and vice versa? How does poverty affect environmental degradation and the other way around? What payoffs are there for education by better public sector administration? Again, it is hard to see how these cross-cutting issues will be handled well under the new F matrix and within the DFA structure, in which the country is the atomic unit and in which programs must fit into one of the functional columns. A program that cuts across the functional columns could be dissected arbitrarily into columnar parts: A certain percentage will be attributed to Economic Growth and the remainder to Education as part of Investing in People, for example. But the assignments and the percentages will be arbitrary because the cross-sectoral enterprise is designed to look at the intersection and interrelation between the two. It would presumably be more than an economic growth program and an education program.

Yet the strictures of the matrix make that difficult, if not impossible, to demonstrate. The F matrix does include a category called "Global or Regional," which consists of "activities that advance the five objectives, transcend a single county's borders, and are addressed outside a country strategy." That category could address the cross-cutting problems, but so far it has not received robust attention. And, as noted, technical leadership itself may not fare well. To the extent it does, the technical cadres in each functional area are much more likely, perhaps rightly, to try to capture those limited resources for their core interests as against cross-cutting themes. Technical leadership that crosses boundaries is likely to fare even less well.

Simplistic Taxonomy of Country Types

A more serious flaw in the entire matrix structure is the assignment of any given country to one — and only one — of the country categories. Countries are not homogeneous. Some parts may be developing while others are stagnating. Wireless cell phone users in the capital coexist with shantytown dwellers and goat herders. So the country description is an amalgam, an average really, of its component parts or, to use the F matrix, middle income, lower-middle income, low-income, and the very poor. That much is common to most developing country taxonomies. More important from the transformational development paradigm, however, is that one part of the country may be Developing or even Transforming while another part may have violent conflict, even civil war. Uganda, for example, is a Developing Country in the F matrix, but northern Uganda is in the hands of a psychopath, Joseph Kony, and his Lord's Resistance Army, which rapes, mutilates, and tortures Ugandans — particularly the Acholi — and is in violent conflict with the Ugandan Army. Meanwhile, Colombia is classified as a Rebuilding Country because some areas are under control of the insurgent Revolutionary Armed Forces of Colombia, but by far the largest part of the population lives in what would otherwise be classified as a Sustaining Partnership Country.

And countries within the categories make an odd mix. Among the Sustaining Partnership Countries, for example, are not only Argentina, Chile, the Czech Republic, Greece, Israel, Mexico, Portugal, and Turkey, but also Equatorial Guinea, Gabon, the Marshall Islands, Mauritius, Russia, Saudi Arabia, and

Trinidad and Tobago. It is hard to see how these countries fit together from a transformational perspective. The package of appropriate transformational assistance for Mexico and the Marshall Islands, or Greece and Gabon, would not on the surface seem to be very similar. No doubt, any typology suffers from oversimplification. But under the old system, the oversimplification was not as damaging because the typologies were not so inflexible and did not determine programming. Instead, the country team would submit a proposed strategy for, say, Uganda, in which it would distinguish among the different parts of a country and propose appropriately different assistance strategies. But under Rice's instructions, a country is either one thing or another.

Moreover, the criteria themselves for the various categories differ. A country is categorized as "Restrictive" if it is autocratic rather than democratic. It is "Rebuilding" if it is coming out of conflict, or for that matter if it is going into or tottering on the edge of conflict (so perhaps "Rebuilding" is an optimistic term even for that category). A country is "Developing" or "Transforming" depending on the mix of its profile on Democracy, Economic Growth, and Investing in People. And a country is a "Sustaining Partner" depending solely on its income level, which presumably is how the Marshall Islands, Russia, Trinidad, and Saudi Arabia made it into the same category as the Czech Republic, Ireland, Israel, Poland, and Turkey. How consistent will the allocation of countries be to the categories if the criteria for categorical inclusion—democratic or not; coming out of conflict or not; pure income level; or a mix of economic, social and economic measures—are so incommensurate?

Too Much Accountancy; Too Little Development Thinking

The entire process suffers from a kind of H&R Block mentality in which transparency and the ability of the central administration to know exactly what is being done and exactly how much is being spent on any given day come at the cost of complexity and inherent uncertainty. No one can doubt that transparency and proper accounting are important to ensure the public trust and the proper use of public resources. But accountancy is not the only value, and foreign assistance is not a tax return.

An important dimension of the reform was the introduction of yet another global accounting system that would supposedly allow the F staff to, as it said, "rack and stack" almost any kind of quantitative data that the secretary of state or Congress might want at any and every moment. If the past is any predictor, the number of questions and the number of data sorts requested by the administration or Congress will challenge most imaginations and certainly most data systems. The past is replete with failed, and very expensive, software systems designed to meet precisely this same purpose. This is not the first time an administrator has been vexed by the uncertainties of where exactly the funds are and has thought that a better accounting system would be useful. But it is also not the first time an administrator has spent a lot of money in the (unfortunately vain) attempt to get one. Many of the F staff experienced those attempts, so it is a bit surprising that, once again, this function is such an important priority for the reform of foreign assistance that it threatens to subvert the ambiguities, flexibilities, sensitivities, and imagination intrinsic to development programming and that it has pursued so adamantly the illusion of a perfect and immediate system of accounting.

Merging USAID and State by Stealth

By design, the foreign assistance reform takes another, major step to merging foreign assistance and foreign policy in a seamless web. There are those who argue that the two should be separated, conceptually and organizationally. For example, the United Kingdom's Department for International Development has a separate, cabinet-level minister on a par with the foreign minister; its foreign assistance is not primarily part of the Foreign and Commonwealth Office, which however also has its own assistance funds, albeit much less. That clear separation has never characterized the U.S. approach. But, as a result of several small steps, the Department of State has gained increasing authority over U.S. assistance within the so-called 150 account. Transformational Development as part of Transformational Diplomacy all but merges the organization of assistance and diplomacy under State, and it does so intentionally. It does so, also, without congressional debate. One critical piece of Congress' authorization language establishing the executive branch architecture of foreign assistance—the Foreign Assistance Act of 1961 (as amended)—does not envisage any such merger. The merger may be the right way to go, but ought it be the unilateral prerogative of the executive branch to make that decision and, again, in its last eighteen months?

Summary

In principle, the objectives of the Rice reform are unobjectionable. Who could complain about a more coherent, more transparent, less fragmented assistance program flowing rationally from the goal of transforming poor and dysfunctional countries into ones that provide an adequate standard of living, decent health and education, and effective, accountable, democratic governance? Goals aside, the Rice reform robustly returns assistance policy to Washington rather than leaving it so heavily to the field. Moreover, Rice's centralization could certainly make multilateral cooperation and coordination easier. Washington could now meet its counterparts with greater certainty that a decision to work together or divide tasks globally would be honored in fact, not just in theory. Certainly the reform made the allocation of funds more transparent. It would now be possible to see U.S. foreign assistance in its entirety, or at least the part of assistance under the nominal jurisdiction of the Secretary of State. The legislative and executive branches and the general public could know much better what the United States is spending abroad and, to some extent, why. Finally, unlike her immediate predecessors, Rice recognized the fractured nature of the existing system and, very laudably, spent personal time and political capital to address it.

The problems, however, lie not in the goals of the reform, but in their application. And there the initiative suffers primarily from two problems: conception and implementation.

As a conceptual matter, the reform dramatically centralizes dozens of micro-tactical decisions, and it does so by mischaracterizing them as strategic decisions. It removes decisions about a country assistance program from the field to a collection of Washington-based officers who, at best, spend only a fraction of their time on the country and who, at worst, represent parochial bureaucratic interests. Moreover, it invests ultimate authority over these micro-decisions in a small staff, and ultimately in the director of foreign assistance and the secretary of state. It does this by calling these very practical, localized decisions "strategic." It thereby confuses truly strategic decisions, which ought to reside in Washington, with tactical decisions better left to context-knowledgeable local foreign service officers like the ambassador and the USAID mission director and their staffs. It confuses goals and ends with means.

As a practical matter of implementation, the reform was rushed into practice. The DFA staff did not have time (and in many cases inclination) to talk through the changes with their colleagues. The framework it produced is far too specific to take account of the complexities of the country context. It provides false precision and creates a programming straitjacket. Washington instructs the field to provide mind-numbing detail about implementing a plan to which the field had little contribution. The reform assumes that number crunchers will therefore be able to answer immediately and accurately an unforeseeably large number of questions about almost any aspect of an $11 billion foreign assistance program. The reform was designed, then patched and redesigned on the fly. It was implemented by a defective system of ad-hoc core country teams. It delays results-based management. It rewards sectoral stovepiping and makes cross-sectoral work more difficult. It also reduces the incentives for learning in favor of sheer implementation. It localizes ultimate decisions in a handful of people who will be overwhelmed with the volume. Too many decisions will not be made in a timely way or at all. Assistance could grind almost to a halt unless alternate procedures are found, perhaps informally. The reform underestimates the value of decentralization, which was the hallmark of the U.S. foreign assistance program, just as other donors, recognizing the problems of their centralized systems, are moving in the precisely the decentralized direction the United States pioneered and championed. And the administration undertakes all of this in the last year in which it has even reasonable control over the budget process. It is true that the F staff recognized some of these problems and, to its credit, began to correct them in the second year, including allowing more participation from the field, for example, and at an earlier, more formative stage. Nevertheless, the basic structure remains.

There was much in the previous system that needed improvement. No doubt, Washington, not the posts, must be the authority over policy and strategy. Some field missions may have thought they were autonomous empires. Every office and functionary cannot make an independent claim on resources for pet projects without sacrificing coherence and purpose. The fragmentation and decentralization had gone too far. The old system was a fractured, nonstrategic, hodgepodge of bureaucratic satraps in need of a fundamental fix. Greater coherence was certainly necessary. But the Rice reform is deeply, perhaps irredeemably, flawed. There were available corrections far short of, and far better than, this foreign assistance reform.

The reform raises yet again but in a different context one of the core debates in our republic harkening back to the Constitutional Convention in Philadelphia well over two centuries ago. The Founding Fathers decided then that the advantages of decentralization—the state "laboratories," and some insurance against arbitrary and concentrated power at the center—outweighed its greater inefficiency, uncertainty, and variation. No doubt, it is aggravating to comply with a different rule in Illinois than in Indiana. It would be more efficient to have a single rule no matter where you live. But is it better? What is the best mix?

If it is so problematic that the secretary of state cannot say at the drop of a hat how much the U.S. government spends on democracy promotion, then perhaps it is better to have the full range of resources under the secretary's control and to make all the decisions in Washington. Decentralization comes at a cost of not knowing every detail and where at any given moment every dollar is allocated. But if the attempt to provide some assistance to help countries move a number of steps toward a better life depends on local knowledge, a sensitivity to local nuances, a flexibility to adjust to local changes, and perhaps some experimentation and aggregation of local lessons, then greater decentralization of design may be better. Certainly that has been the often reluctant conclusion of our much more centralized colleagues in other capitals as they adopted our more decentralized, more field-based approach—the very approach we now appear to be abandoning.

At a deeper, more philosophical level—one well beyond the foreign assistance reform—the way in which the reform was conceived, designed, and implemented perpetuates a serious pathology in U.S. governance. At the same time that the United States provides technical assistance on democracy and governance to dozens of countries, we have perhaps the most poisonous relations between the executive and legislative branches of any well-established democracy. We need a serious debate about, and substantial reform of, the respective prerogatives of the two branches and the way in which they treat one another. No doubt, the president should have the authority to structure the executive branch, including the centralization of a single authority over foreign assistance, without undue interference from Congress. But what constitutes undue interference? For example, should so dramatic a reorganization of our foreign assistance system have been designed and implemented with so little serious congressional consultation? Is that the understandable result of inappropriate and often irresponsible congressional intrusion in the budget process and sometimes in the president's appointment authority? Is this the way a democracy should operate? If the scars of this and other administration initiatives yield a deeper reflection on our own political and constitutional processes, there will be at least some redeeming features of this unfortunate attempt to reform our foreign assistance system.

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