

Written Statement of Gerald F. Hyman
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the Federal Workforce and the District of Columbia
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Chairman Akaka, Ranking Member Voinovich, and Members of the Subcommittee, thank you for holding this hearing on reforming the foreign assistance bureaucracy and for offering me the opportunity to appear before you.

Fragmentation and Integration

The reconsideration after September 11 of the role, purposes, organization and performance of foreign assistance, and the elevation of that role in the National Security Strategy of 2002 and 2006 has drawn foreign assistance into sharp relief. Internationally, foreign assistance suffers from many deficiencies, both theoretical and practical. It suffers organizational defects as well, at least in the United States.

Over the course of my nearly 17 years at USAID, the organization of foreign assistance in the US Government as a whole has become fractured, tangled, mangled, mismanaged and mal-aligned. In that condition, foreign assistance could not possibly meet its sustainable developmental function, let alone the elevated national security role newly assigned to it, even if there were excellent theory and programming practice. Albeit belatedly, the Administration has recognized the problem---to which in good measure it, itself, contributed---and moved to fix it. The fixes have been imperfect, in my view, and should be substantially revised. Recognizing many of the same deficiencies, other voices have called for more substantial reorganization, including a new cabinet-level department of development. There are strengths and weaknesses to most of the organizational options available, but on balance, a separate cabinet-level agency goes too far, in my view.

Two organizational dimensions would benefit from Congressional support.

First, Congress should support the continued integration of development assistance as part of our foreign policy, indeed as part of our national security policy, and therefore closely connected to the Department of State, not housed in a new, separate cabinet-level department.

Second, however, Congress should, in a constitutionally appropriate way, resist the constant fracturing of assistance programs into discrete organizations, both within and outside the Department of State.

Although the president is primarily responsible for the execution of the laws and therefore the structure of the executive branch and should have broad authority over that structure, Congress is right to be concerned that the funds it appropriates are properly, efficiently, and effectively used. The fragmentation of foreign assistance has instead

created redundancies, inefficiencies, and incompatibilities that impede both our development policies and the broader foreign policies of which they are, and should remain, a part.

The fragmentation problem

Three decisions in this administration exemplify the fragmentation problem, although they are hardly unique and previous administrations were hardly immune from the same inclination. The President's Emergency Plan for AIDS Relief (PEPFAR), the Millennium Challenge Corporation (MCC), and the Middle East Partnership Initiative (MEPI) were all extensions of what the U.S. Agency for International Development (USAID) was already doing at a more modest level and could have been assigned to do at a more robust level, especially if it had the authorities and the level of support provided to PEPFAR, the MCC and MEPI. Leaving aside whether these were good programmatic ideas, they need not, and should not, have been isolated from USAID's core developmental mission.

The devastation of HIV/AIDS was recognized by development practitioners, including those within USAID, well before the George W. Bush Administration and PEPFAR. Under President Clinton and President George H.W. Bush, USAID was already working on HIV/AIDS. The U.S. Government did not need PEPFAR to address the problem.

Similarly, assistance to "outstanding performers" who had made tough policy decisions and could use additional assistance to mitigate the social consequences of those decisions as a kind of "reward" for the difficult choices, 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 millennium challenge program was first mooted, several organizational forms were considered for its implementation, including a special unit within USAID. That was not the path chosen. Instead, President Bush created the MCC as a semi-autonomous corporation. Moreover, after the MCC was created, it was inadvisable that the MCC actively reject any relation with USAID, including USAID's lessons born of long experience. More than inadvisable, the artificial wall of separation was counterproductive. Happily, that initial policy has been changed, but it remains an instructive illustration of what organizational fracturing can bring.

MEPI, too, was not substantially, let alone fundamentally, different from what USAID was already doing. Arguably, it had a different political cast but not an essentially different purpose or program. But it did have an entirely new staff in an entirely new office in a regional bureau of the Department of State. That bureau had been engaged on diplomacy. Now it also designed, managed an implemented a foreign assistance program parallel to the one that USAID has managed. Initially, USAID was asked to implement MEPI programs until, for no obvious reason, MEPI reconstructed its own grant and contract operations within the Department of State. The result is two sets

of programs on each of economic growth, democracy and governance, and education: 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 programs. 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. Just as we do not imagine a parallel diplomatic program designed and implemented by USAID, 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, and too often that exactly has been the underlying reason.

Finally, many agencies and cabinet-level departments outside of the International Affairs Budget (the so-called "150 budget") and outside the Department of State have their own development assistance programs, including for example the Department of Labor, the Department of Commerce, the Department of Justice, the Department of Agriculture and, of course, the Department of Defense. Congress appropriates some of these funds directly, but other funds are transferred from the International Affairs Budget by State or USAID. They should be made on the basis of the clear expertise of the recipient agency in an area deemed important to the developmental or foreign policy mission, expertise that need not be duplicated by USAID. Too often, unfortunately, the transfers are a result of inter-agency demands from departments based primarily on their greater bureaucratic clout. In effect, the transfers reflect bureaucratic weakness by USAID or even State rather than true need or expertise in the recipient agency. Congress may think it is appropriating funds to State or USAID but in reality it may be appropriating a pass-through to other departments and agencies.

No doubt, USAID is a deeply troubled, weak, demoralized, perhaps even debilitated agency badly in need of reform. Its procurement and human resources operations are problematic, to say the least. But notwithstanding its defects, many or all of these programs could have been managed within what is supposed to be our development agency. Instead, as already noted, they were located elsewhere too often as a response to bureaucratic clout and turf battles rather than comparative advantage. The construction of parallel operations and analogous programs in the same country frequently results in redundant, wasteful mismanagement. It encourages unnecessary turf wars as the various organizations vie for authority and budget. Even more troublesome, it diminishes policy coherence, particularly when different U.S. personnel from different agencies provide conflicting advice on similar subjects, and it exacerbates the problem of fragmentation within the Department of State.

The fragmentation of program authority and management, within State and between departments, is perhaps the single greatest contributor to the tangled, mangled, fractured, fragmented and ultimately mismanaged and mal-aligned organization of our

foreign assistance and to policy incoherence. It is a poor way to construct a government. We should have kept these, essentially development programs, in the development agency we already had. Instead we have been picking away at what by now has become almost a barely functioning carcass. Either we have a development agency or we do not. If we need to fix it, then let us do that. If it is beyond redemption, then it should be dispatched and replaced with a single agency which commands confidence. Perhaps anticipatory exhaustion at the prospect of reconstructing USAID is the primary rationale behind the proposal for a new department of development. But would USAID's problems be fixed by moving development to a new cabinet-level department which would have to address the same problems starting anew? The only real advantage is that the secretary of the new department might be better able, politically and bureaucratically, to resist the depredations from other entities and certainly would be motivated to do so since foreign assistance would not be a secondary or tertiary concern, as it was to many previous secretaries of state? But the problems with the existing development agency and the prospect of a more empowered and motivated secretary is hardly a compelling reason to create an entirely new cabinet-level agency. Better that foreign assistance be a serious concern of the secretary of state and that the administrator of the development agency be empowered within the existing structure.

Integration with foreign policy

Indeed, a new department of development would also bring new and different problems. Those problems by themselves outweigh its benefits, in my view. Certainly, a new department would divorce development from diplomacy organizationally, and while, for some, the separation is precisely the reason to create the new department, I think it would, on balance, do more harm than good.

For one thing, development assistance is one of the incentives by which other countries are encouraged to support other elements of our diplomacy, but conversely diplomacy is frequently used in support of development goals. Secretary Rice has been a champion of both. On the basis of the National Security Strategies of 2002 and 2006, which elevate development as an integral part of our national security policy along with defense and diplomacy, Secretary Rice amalgamated diplomacy and development into what she has called "transformational diplomacy." The purpose of transformational diplomacy is not just to *represent* US interests to other countries, but to assist in *changing* the countries themselves, to help move them up a scale by from "Restrictive" or "Rebuilding" to "Developing" then "Transforming" countries to, finally, "Sustainable Partnership" countries. The goal is to build a world of healthy, educated, prosperous populations living in free market democracies. However one evaluates the rationale of that conception or the likelihood of its success, under that policy both assistance and diplomacy will be used to advance developmental goals even as development resources will be used to advance diplomatic purposes. They are part of one foreign policy effort.

As noted, some assistance funds will be used to shore up other diplomatic efforts, including support for US positions in multilateral fora, advancing stability and security goals, and inducing behavior that advances our non-developmental national interests.

Some believe these are improper uses of assistance, but I do not. A few recent examples will indicate why.

The U.S. agreed to supply food aid and fuel to North Korea as part of a package of incentives that will presumably result in the disclosure, verification, control and reduction of North Korea's nuclear resources and capabilities. In the right atmosphere and with the right North Korean policies, even more would presumably be supplied. In Pakistan, the U.S. is providing \$750 million in non-military assistance for the Federally Administered Tribal Areas alone and an additional \$826 million for the rest of the country. Why? Because of the instability in FATA itself, its use as a safe haven by the Taliban, and the threat it poses to the stability of Pakistan as a whole. The Administration has requested \$332 million for assistance to Sudan, 16% of the entire non-HIV/AIDS total for all of Africa, because of the instability in South Sudan, the Comprehensive Peace Accord, the threat of terrorism, oil resources, and a myriad of other reasons. Our levels of assistance for Haiti and the many hand-wringing meetings on the seemingly intractable problems there are in part because its internal instability threatens the entire region. These are only a few examples, and they do not include the amounts provided by the Department of Defense. In my view, these constitute a justifiable use of assistance funds. At the very least, such use 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, "unsullied" by the other considerations of foreign policy, which would remain with the Department of State. So either the North Korea, FATA, Sudan, and Haiti programs (and others like them) which now constitute over 2/3 of the "development" budget, would not be funded, or they would be funded only at the levels justifiable on purely developmental grounds, or (since the current levels are not justifiable for purely developmental reasons) they would be funded and managed by the Department of State rather than the new cabinet-level department. In my judgment the third option is undesirable because it exacerbates the fragmentation of assistance programs, and the first two options are undesirable but also they are unlikely.

Strategy vs. tactics: the third problem

To its credit, the Bush administration has recognized the problems of fragmentation and, under Secretary of State Rice, has begun to deal with them. Contrary to the spirit of a new department for assistance, however, she has integrated assistance and diplomacy even more tightly into the Department of State. To effect "transformational diplomacy" and to align at least that part of the fractured foreign assistance programs under her authority, Secretary Rice created a new position, the Director of Foreign Assistance, made the position into a de-facto deputy secretary roughly equal to the official Deputy Secretary responsible for diplomacy and general foreign policy, and created a new process under the Director of Foreign Assistance.

Notwithstanding its laudable goals, the new, so-called "F process" suffers from several probably 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, undermines the value and contribution of our in-country expertise, and has damaged the attempt to measure impact. The "F-staff" has recognized some of these problems and has modified the process, but not sufficiently in my view.

Historically, the US approach has differed from that of the other donors---both bilateral and multi-lateral---in part because we have relied primarily on our in-country teams to propose as well as manage the details of our assistance programs. We have done so to capture the local context: What are the specific obstacles to development? Who supports change and who gains from the status quo? Which groups and organizations would maximize assistance to achieve greater development? How can we help overcome resistance from self-dealing elites? The balance between what is designed, managed and decided "in the field" as against Washington is always subject to debate and adjustment.

In general, however, Washington should help design and certainly should approve the strategy of a country program. To do so, all parties must properly understand what is truly strategic and what is actually tactical. In the past, Washington played its strategic role by laying down the general parameters under which the field was instructed to develop a context-specific plan, which it brought to Washington for discussion and approval. I believe that was the right mix. The "F process" however, changed that combination of top-down and bottom-up. Now, to cite its own principle, "Washington will define the strategy, the field offices will devise its implementation." The country team no longer takes the lead on the design of the country plan under the general strategic guidelines of Washington. Instead, with some field input but by merging strategy and tactics, Washington drafts a highly detailed plan which the field manages. Strategy and tactics are confused with one another and combined. Strategy no longer consists of a general design, but rather of a micro-detailed allocation of resources as well.

For FY 2007, the F staff led an inter-agency process in creating and then applying a scheme of 5 objectives, 24 program areas, 96 program elements and 407 program sub-elements. A given country would have some mix of these objectives, program areas, program elements and program sub-elements. Washington, not the field, would decide the mix and even the budget allocations, at least down to the 96 program elements. Happily, that highly prescriptive system was adjusted for FY 2008. Although the country team now participates to a significantly greater extent than it did, the authority for relatively minor decisions remains still in Washington.

Certainly, a major reason for the "F reforms" is to achieve more coherence and less fragmentation. It has done so, but at too high a cost, in my opinion. The F process sacrificed the detailed knowledge, the nuances of trade-offs, and the personal contacts of the country team for the greater coherence imposed by Washington's centralized decisions. The improved coherence was certainly laudable, but it went too far. It sacrificed too much. The coherence could have been achieved with modifications to the

old process that retained a better balance between Washington and the field. A more flexible, inter-active process could, I believe, have retained the advantages of the field perspective yet provided the improved coherence that was so badly needed. Ironically, just as the Director of Foreign Assistance moved to hyper-centralize in Washington, the other donors were decentralizing based on our previous model.

The better course

Given the widely shared concerns about fragmentation and my own concerns about a separate, cabinet-level department, the better organizational course, in my judgment, is to keep but very substantially revise the F process or return to an earlier time when USAID was an independent agency under the general guidance of the Secretary of State. In either case, USAID will need to be substantially revitalized and should be the primary albeit not exclusive implementer of foreign assistance.

The revitalization of USAID is no easy matter. It means that the next USAID administrator, secretary of state and president would need to abjure the inclination of too many predecessors to create new programming initiatives or programs in order to “leave a mark.” The best real mark would require concentrating on some of the core problems of USAID: the recruitment, management and compensation of its professional staff; the procurement regime under which it operates; and the legal framework that constrains and guides it. These are not thrilling topics. By far the more glamorous alternative is to create yet more separate initiatives or move the organizational boxes within the Agency. But that alternative would leave USAID as it has been: a fish out of water desperately gasping for air and life. Some new programming initiatives may be necessary but we have seen too much of it before. True necessity, not just inclination, should be the criterion for any new programming initiatives.

We need to return to some of the basics by which any agency, and certainly an agency responsible for billions of dollars of foreign assistance, necessarily requires: personnel, procurement and legal operating structure. These are problems too long neglected at USAID. Absent sufficient attention to them, the result is a wounded, incapable entity, whether located in State, or in a separate cabinet-level department, or as an independent agency with a reporting line to the Department of State or to the president. The regional and technical boxes within USAID are important, but without the fundamental core of excellence in people and procedures, the entire set of boxes will fail no matter where they are located.

In short, these are the principles of the foreign assistance bureaucracy in most critical need of attention, in my view.

- Build one foreign assistance agency.
- Reverse the fracturing of assistance programs into discrete entities throughout the U.S. Government, both within and outside the Department of State.
- Continue the integration of foreign assistance as part of our foreign and national security policies.
- Keep foreign assistance closely connected to the Department of State, not housed in a new, separate cabinet-level department.
- Keep Washington concentrated on the large, truly strategic picture and leave programming tactics largely to the field.
- However, provide advice and oversight to the field not just carte blanche, and base that oversight on policy considerations and lessons truly learned.
- Resist new programming initiatives unless necessary.
- Revitalize USAID by concentrating on its basic deficiencies in human resources, the procurement regime and the legal structure.

Congressional role

Congress, especially this Subcommittee, can play a critical role in enforcing these principles. It can examine the regular impulse of the president, secretary of state, or USAID administrator to create new initiatives in new organizational edifices rather than, when necessary, modifying the old ones and finding room for them in the existing structure. It can insist that the essentials of the foreign assistance bureaucracy be reformed, that the structural proliferation be ended and with it the consequent redundancies, inefficiencies, mismanagement and waste, and that the fundamentals be taken care of. As the appropriator of the funds for foreign assistance, Congress can and should ask that these simple principles of good governance be followed. If the next secretary of state and USAID administrator do not commit to dealing with these very-broken basics and to avoiding the temptation that puttering with the programs and the boxes affords, then perhaps the complete demise of USAID and the construction of a new foreign assistance department is indeed the best alternative.

No doubt, these are substantial problems. The organization of foreign assistance has no simple solution. There are multiple possibilities, each with strengths, weaknesses and champions. This sub-committee is doing a great service by taking the time and interest to consider them. While not sensational, the structure and function of the foreign

assistance bureaucracy is critical to a good assistance program, which is in turn an elemental part of our foreign and national security policies.

Chairman Akaka, Ranking Member Voinovich, and Members of the Subcommittee, thank you again for holding this hearing and for offering me the opportunity to appear before you and offer my thoughts.