Integrating USAID and DOS: The Future of Development and Diplomacy

Project on National Security Reform
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EXECUTIVE SUMMARY

In order to undertake any reform of a governmental agency, particularly one as large as the Department of State (DOS), it is imperative that previous attempts at reform be studied in depth to determine which factors are most likely to drive such initiatives to succeed or fail. To identify lessons useful to the creation of a Next Generation Department of State (Next-Gen DOS), major reform efforts in the last fifty years were reviewed, from the creation of the Foreign Assistance Act of 1961 through the 2006 Transformational Diplomacy efforts under Secretary Rice.

Each of these eight efforts represents a governmental response to changing circumstances in the world, domestic political structure, or political rhetoric regarding the place of development in national strategic policies. While a distinct global and national political climate may have influenced each initiative, certain general lessons can be learned from their undertaking. Our findings suggest that reforming the provision of foreign assistance by the United States Agency for International Development (USAID) and DOS depends upon the following:

1. Early engagement of a broad range of stakeholders
2. Presidential support and White House involvement
3. Active and early participation of Congress
4. Timing
5. Scale of reform
6. Clear roadmaps and well-detailed polices
7. Consistent message
8. Bureaucratic loyalties

At least in the foreign policy arena, the Obama administration is on the precipice of the change sought during their campaign. Coming into office while the previous administration's foreign assistance framework is still in its developing stages gives the Obama administration the opportunity to make whatever changes they deem necessary to move foreign assistance in any direction they choose. While specifics about President Obama's foreign policy are still unclear, they have the opportunity to initiate debate and participate rigorously in a major transformation in the provision of foreign assistance. With the growing belief that no longer will patchwork efforts at reform be sufficient, the FAA's problems cannot be fixed in piecemeal fashion. President Obama is on time to bring together the current reform efforts in Congress with nongovernmental organizations, academics, and the private sector and engage these key players in a vigorous debate over the details of this much needed reform.

Foreign aid is arguably the most effective tool at the disposal of the US government to encourage social, economic and governmental development abroad. As a part of foreign policy, development is inherently linked to diplomacy. The relationship between the two, however, has not been a stagnant one. The current

strategic environment regarding the relationship between development and diplomacy was defined in major ways by the two terms of the Bush administration. To understand how that relationship is changing now, it is necessary to analyze the baseline for that change.

The 2002 National Security Strategy, and its official elevation of development to an equal pillar of national security, alongside diplomacy and defense resulted in the gradual militarization of aid. Although the total resources allocated for development increased significantly as a result of the new policy, a large part of this aid was delivered by the Department of Defense (DOD), rather than civilian agencies. The militarization of aid is not optimal, insomuch as it greatly expands the responsibility of the military, decreases the civilian face of aid, puts aid workers in harm's way, and sacrifices some efficacy of aid delivery.

The 2006 Rice Reform affected the relationship of development and diplomacy by creating the Director of Foreign Assistance, a position intended to better align to operations of USAID and DOS. Due to the fact that the reforms have not been fully implemented yet, their affects are still to be realized. An electronic information sharing system, the categorization of countries based on necessity for aid, and deployment of Foreign Service Officers to critical countries all attempt to bring greater cohesion to the US foreign assistance programs. These reforms, however, lacked fiscal support and made no attempt to demilitarize aid.

The Obama Administration will, of course, influence the relationship between development and diplomacy. The administration came into office at a time when the US is involved in two military engagements abroad, a failing economy, and unease regarding other domestic and foreign issues. To date, the administration has not taken a public stance on development and diplomacy. Despite the lack of an official statement from the White House, testimony, budget requests, and speeches by Cabinet-level officials provide a foundation for a better understanding of the new administration's intentions.

Thus far, it appears that this direction will most likely strengthen "soft power," demilitarize foreign aid, expand the number of Foreign Service Officers and civilian development personnel, integrate the foreign assistance structure of the government, and create a closer cooperation with Congress. Ultimately, this shift will be one towards "smart power" – the use of a variety of diplomatic tools to encourage US interests abroad. The changing relationship between development and diplomacy will have major implication for the shape and scope of the Next-Gen DOS.

Through the effective use of its authorities, Congress may play a significant role in making foreign policy. The main legislative vehicle for foreign assistance for the last five decades has been the FAA. Due, however, to acts of the legislature, the executive, and the nature of the political environment, the system through which

foreign assistance programs are authorized and funded has become fractured, dysfunctional, and outdated.

Originally designed in the shadow of World War II, with the threat of communism looming large, the FAA was the cornerstone of what President Kennedy referred to as the 'Decade of Development.' The "careful planning" which the Kennedy administration and the 87th Congress intended to exist with regard to foreign assistance and development has been effectively laid to waste by, among other things, the effects of a revised budget process on authorization and appropriation committees, congressional earmarks, directives, sanctions, and inadequate or weak oversight of foreign aid programs.

In terms of further integration of USAID and DOS, Executive/Legislative tensions and the continuation of ineffective congressional oversight procedures serve as impediments to future reform. Whether it is a lack of understanding of each other's roles, fears of ceding too much power to another body, or both, Congress and the Executive have promoted an uncoordinated and ineffective strategy for foreign assistance. Legislative restrictions and procedural requirements are used as tools by Congress to limit Executive flexibility. Similarly, the Executive works to develop new initiatives and other methods to gain more control over aid distribution. The lack of coordination between these two powers stands as a major barrier to the development of a comprehensive national strategy for foreign aid. Without a partnership between Congress and the Executive, it will be difficult to develop the support needed to integrate USAID and DOS.

Legislative oversight has changed over the years and now lacks an overall strategic vision and attempts to retain control over aid providers through managing the appropriations process in excessive detail. The focus on appropriations, while neglecting the enactment of comprehensive authorizing legislation, has led to a disjointed approach to foreign aid policy and a dependence on earmarks and directives to limit the actions of the Executive. Furthermore, little legislative action by Congress has centered on the creation of new initiatives, while failing to reevaluate existing programs. This has led to the existence of agencies with overlapping mandates and an overall system that promotes an inconsistent and uncoordinated approach to foreign aid. In order for the effective consolidation of USAID and DOS, Congressional oversight must change to promote a broad strategic vision for foreign aid and remove funding restrictions that limit agency flexibility.

As a widely discussed alternative to USAID/DOS integration, the idea of moving development to a Cabinet-level post has received support from aid reform researchers and members of Congress. While this proposal aims to solve aid agency fragmentation and provide an increased role to development, removing USAID from DOS would require substantial coordination between the executive branch, Congress, USAID leadership, the Secretary of State and various other parties. The level of coordination required to implement such a reform limits the likelihood of

success. This is due to an inherent connection between the missions of USAID and DOS, a lack of coordination between Congress and the Executive to develop the necessary legislation to pass such a proposal, entrenched interests by foreign aid agencies and uncertain reform outcomes.

The integration of USAID into DOS will require the involvement of the White House, Congress, relevant governmental entities, and other key stakeholders. It will, in the long-term, necessitate a comprehensive rewrite of existing legislation on the provision of foreign assistance. The full report, *Integrating USAID and DOS: The Future of Development and Diplomacy,* includes a comprehensive roadmap outlining the key measures that should be considered when moving forward with this process. The report includes actions that must be taken by both the President and Congress, recommends ways to encourage ownership of the process by the personnel of affected organizations, highlights key funding measures needed to ensure meaningful change, suggests the creation of a new Under Secretary of Development, provides methods for better integration, and lays out an organizational structure that will better align the mission and vision of foreign assistance.

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List of Acronyms

Arms Control and Disarmament Agency ..... (ACDA)
Congressional Budget Act ..... (CBA)
Department of Defense ..... (DOD)
Department of Homeland Security ..... (DHS)
Department of State ..... (DOS)
Director of Foreign Assistance ..... (DFA)
Foreign Assistance Coordinating and Tracking System ..... (FACTS)
Foreign Assistance Act ..... (FAA)
Foreign Service Officer ..... (FSO)
Federal Emergency Management Agency ..... (FEMA)
Government Accountability Office ..... (GAO)
International Cooperation Agency ..... (ICA)
International Development Cooperation Agency ..... (IDCA)
Millennium Challenge Corporation ..... (MCC)
National Security Strategy ..... (NSS)
New Directions Legislation ..... (NDL)
Next Generation State Department ..... (Next-Gen DOS)
North American Treaty Organization ..... (NATO)
Peace Prosperity and Democracy Act ..... (PPDA)
President's Emergency Plan for AIDS Relief ..... (PEPFAR)
Project for National Security Reform ..... (PNSR)
Public Diplomacy ..... (PD)
Under Secretary for Foreign Assistance and Development ..... (U/F)
United States ..... (US)
United States Agency for International Development ..... (USAID)
United States Information Agency ..... (USIA)
United Nations ..... (UN)

INTRODUCTION

As the international environment and the challenges facing the United States change, so too must the United States' government. In the area of National Security especially, the types of threats confronting the US have shifted significantly in the past decade. In an effort to address this shift, the Project on National Security Reform (PNSR) has undertaken an extensive review of the current national security apparatus and is working toward recommendations to reform the system.

This paper examines the role of development and diplomacy in national security. When combined with defense, these comprise the three pillars of our national security strategy. Specifically, this paper examines how foreign assistance is administered through the federal government and how this function could be consolidated within the Department of State, making it more effective.

Other working groups within PNSR are researching and developing recommendations to improve further aspects of national security and the Department of State. PNSR is in favor of a large-scale reform of the Department of State. As such, the recommendations in this paper should be understood as a narrow part of broader Department and National Security reform.

LESSONS LEARNED

In order to undertake any reform of a governmental agency, particularly one as large as the Department of State (DOS), it is imperative that previous attempts at reform be studied in depth to determine which factors are most likely to drive such initiatives to succeed or fail. To identify lessons useful to Next Generation Department of State (Next-Gen DOS), we reviewed major reform efforts in the last fifty years, from the creation of the Foreign Assistance Act of 1961[1] through the 2006 Transformational Diplomacy efforts under Secretary Rice. Specifically, reform initiatives studied were:

Foreign Assistance Act of 1961
New Directions Legislation (1973)
International Development Cooperation Agency (1979)
Hamilton-Gilman Congressional Task Force (1988-89)
Wharton Report and Peace, Prosperity and Democracy Act (1993-94)
The 105th Congress Reforms: Integration of USIA and ACDA into DOS; and USAID Reforms (1997-99)
FEMA integration into DHS (2003)
Rice Reforms (2006)

Each of these eight efforts represents a governmental response to changing circumstances in the world, domestic political structure, or political rhetoric regarding the place of development in national strategic priorities. These reforms were selected because they attempted integration of an independent agency into a department, were a major reform of foreign assistance or dealt specifically with the restructuring of USAID. These reforms are the subject of research on the topic of foreign assistance reform and departmental restructuring. While a distinct global and national political climate may have influenced each initiative, certain general lessons can be learned from their undertaking. Our findings, supported by the conclusions of other scholars,[2] suggest that reforming the provision of foreign assistance by the United States Agency for International Development (USAID) and DOS depends upon the following:

1. **Active and early participation of Congress**

   Reform requires Congress to alter existing laws and authorize funds to new agencies, departments or programs. Congressional ownership and active participation in a proposal increases the initiative's chance of success.

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[1] P.L. 87-195, as amended.

[2] Larry Nowels. "Foreign Aid Reform Commissions, Task Forces, and Initiatives: From Kennedy to Present." in *Security by Other Means: Foreign Assistance, Global Poverty, and American Leadership* ed. by Lael Brainard (Washington, D.C.: Brookings Institution Press, 2007).

2. **Presidential support and White House involvement**

   Efforts at reform which were strongly supported by the President had a better chance of being implemented. More than any other actor, the President is able to marshal the support of Congress and executive branch agencies involved in the creation and implementation of reforms.

3. **Early engagement of a broad range of stakeholders**

   Implementation of a reform effort is more likely when it has the support of not only Congress, the President, executive branch agencies, and bi-partisan commissions, but also the support of non-governmental organizations, academics and the private sector. These reforms were also more likely to be successful because their actions were generally agreeable to all parties involved. Furthermore, if the actors tasked to recommend reform do not support the initiative ultimately put forth by Congress or the President, the attempt will either be more difficult to implement or will simply fail.

4. **Timing**

   A receptive environment is a key indicator of success in reforming foreign aid and several factors contribute to this environment. Reforms having a significant incident as a catalyst, such as the Vietnam War or the War in Afghanistan, have a better chance of passage. The popularity of the sitting President tends, also, to effect whether broad support can be garnered for executive-led initiatives.[3] As a corollary to this, reforms initiated at the beginning of a President's term, when he tends to have popular support, had a better chance of passage, and provided a greater time to become established before a new administration could take office and attempt to make changes. Finally, the executive-legislative relationship regarding other non-foreign assistance policy concerns influences Congress' receptiveness to reform proposals.

5. **Scale of reform**

   Most reform efforts addressed only a portion of overall foreign assistance. The larger a particular reform effort, the more at risk for the stakeholders; therefore, it has become commonplace to make reform as a series of small scale, more palatable changes than as a sweeping change to the foreign assistance system.

6. **Clear roadmaps and well-detailed polices**

   Historically, proposals which clearly delineate the current problems and how the potential reforms will fix those shortcomings have been more likely to pass. The idea that a clear plan will increase stakeholder support and make a reform more initiative is also supported in the organizational change literature.[4] A detailed plan

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[3] It follows, too, that popularity of a sitting President who is in opposition to a particular reform effort could also have considerable effect on the attempt by preventing its passage.

[4] Sergio Fernandez and Hal G. Rainey. "Managing Successful Organizational Change." *Public Administration Review*: March/April 2006, pp. 168-176.

with actionable recommendations enables a reform to garner support at all levels through debate and implementation.

7. **Consistent message**
   When the invested stakeholders have a clear and consistent message, from inception through implementation, about the problems in need of reform and the path to be taken to redress those problems, the initiative has a better chance of success. Once a significant period of debate has formally come to a close and recommendations have been made, failure to maintain a consistent message gives the appearance that all parties are not in line with the suggested changes. This can open the door for dissent and potential failure of the effort.

8. **Bureaucratic Loyalties**
   When lines of authority are redrawn, some inevitably see their power or prestige diminished. Many, therefore, resist changes and instead continue to advocate for their particular office or program rather than a new mission or broadened goal. Allowing sufficient time for debate is integral to overcoming this impediment to reform.

In the following section, we provide a detailed review of the earlier reform initiatives, the circumstances attending their success or failure, and their relevance to USAID integration with DOS, as well as specific lessons learned from each initiative.

Kennedy Administration & Foreign Assistance Act of 1961

Leading up to the Kennedy Administration and the Foreign Assistance Act of 1961 (FAA) there was an increasing dissatisfaction with the foreign assistance structures that had evolved from the Marshall Plan of 1947.[5] A "multiplicity of programs," a fragmented bureaucratic organization, legislation providing only patchwork authority and direction, and foreign assistance focused on short-term strategic matters rather than long-term development.[6]

> When John F. Kennedy spoke at the founding of USAID in 1961, he articulated a basic truth about foreign policy. He said we can't escape our moral obligation to be a wise leader in the community of nations. And Kennedy warned, '[t]o fail to meet those obligations now would be disastrous, and in the long run, more expensive.'[7]

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[5] United States Agency for International Development. *About USAID: History of USAID*. 3 April 2009 <http://www.usaid.gov/about_usaid/usaidhist html>
[6] Nowels. "Foreign Aid Reform Commissions, Task Forces, and Initiatives: From Kennedy to Present."
[7] John Kerry. *Development and Diplomacy in the 21st Century*. The Brookings Institute, 21 May 2009.

The Obama administration faces many of these same problems today with regard to the provision of foreign assistance.

As such, the Kennedy administration made foreign assistance a top priority and appointed Henry Labouisse, administrator of the International Cooperation Agency (ICA), to direct a task force focused on bringing about legislative changes on the US foreign assistance policy and structure. As a result of the legislative process begun by President Kennedy, the FAA was signed into law within eight months of his inauguration. Since that time the FAA has been repeatedly amended and remains the foundation for current US foreign assistance policies and programs.[8]

The FAA reorganized US foreign assistance programs by separating military and non-military aid. In addition, it authorized the creation of USAID, with a primary emphasis on long-range economic and social development assistance efforts.[9] The establishment of USAID:

> Unified already existing U.S. aid efforts, combining the economic and technical assistance operations of the International Cooperation Agency, the loan activities of the Development Loan Fund, the local currency functions of the Export-Import Bank, and the agricultural surplus distribution activities of the Food for Peace program of the Department of Agriculture.[10]

The FAA contained very few restrictions on how assistance could be provided, and contained only general instructions on the factors that were to be considered in giving foreign aid. According to USAID:

> The greatest achievement of USAID and the FAA was that they addressed the goals of setting up country-by-country planning and long-term development planning mechanisms through solving the organizational problems in the then-existing foreign assistance programs.[11]

The Kennedy administration's reform effort was successful in its attempt to legislate changes in US foreign policy and structure. The success of the reform is attributable to a variety of reasons. First, the FAA reform successfully maintained

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<http://www.brookings.edu/~/media/Files/events/2009/0521_kerry/20090521_foreign_assistance.pdf>

[8] Dianne Rennack. *Foreign Assistance Act of 1961: Authorizations and Corresponding Appropriations.* Washington, D.C.: Congressional Research Service. 15 December 2008.

[9] United States Agency for International Development. *About USAID: History of USAID.*

[10] Ibid.

[11] Ibid.

broad support across major stakeholders, including the executive branch, legislative branch, and others. The Labouisse Task Force encompassed private citizens, staff from the ICA, representatives of the Ford Foundation[12] and incorporated input from a variety of stakeholders. Congress became extensively involved in the Task Force and supported the FAA throughout its consideration. Importantly, the President and White House officials were directly involved and actively pursued this reform through its enactment. Kennedy made foreign aid an issue during his campaign and within weeks of taking office addressed Congress with the need to establish foreign aid as a priority, thereby leading the initiative that culminated in the passage of the FAA. In fact, the Kennedy administration exemplifies the most direct involvement of the Executive branch in the history of foreign aid reform.[13]

Second, while the FAA was being debated, the Kennedy administration and its primary advocates maintained a cohesive message of support throughout the process and gained credibility when Labouisse recommended the elimination of his own agency.[14] Third, the Kennedy administration's reform initiative primarily focused on economic foreign aid, rather than a broad, comprehensive foreign aid effort that extends across all components of assistance.[15] Last, timing of foreign aid reforms is critical; the FAA effort was initiated early in Kennedy's first term and is an example of a reform that fit well into the executive schedule and congressional calendar.[16]

New Directions Legislation (1973)

The New Directions Legislation (NDL) changed the mission and focus of USAID work. It shifted aid projects from capitol intensive infrastructure and investment projects to ones that satisfied the basic human needs of people in developing countries. The legislation restructured USAID's budget around sectoral accounts, including food, nutrition, health, population and human resource development.[17] USAID programs would now address the basic needs of providing an education, finding jobs and growing food in developing countries. This change in funding priorities addressed the concern that foreign assistance formerly targeted industry and built factories that primarily benefited host country elite and US

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[12] Nowels. "Foreign Aid Reform Commissions, Task Forces, and Initiatives: From Kennedy to Present."
[13] Ibid.
[14] Ibid.
[15] Nowels. "Foreign Aid Reform Commissions, Task Forces, and Initiatives: From Kennedy to Present."
[16] Ibid.
[17] Steven Hellinger, Fred M. O'Regan and Douglas Hellinger. "The Effectiveness of Development Assistance Programs Under New Directions Legislation: Criteria for Assessment." 10 January 1978. The Development Group for Alternatives Policies. 19 May 2009 <http://www.developmentgap.org/foriegn_aid/proposal_to_reform_us_development_assistance.pdf>

corporations.[18] Furthermore, the reform called for the active participation of aid recipients in determining how development funds would be used, focusing more on long-term and sustainable projects. NDL fundamentally changes the mission of USAID, making people in the developing world "agents of change, rather than targets of aid".[19]

The NDL is widely considered a successful reform of USAID and these sectoral categories of funding remained in use until the Reagan administration.[20] Though this reform did not integrate DOS and USAID, it is a significant reform of the FAA that was well implemented and had a lasting impact on foreign assistance.

NDL's success illuminates the factors that will make other reforms more successful. Congress initiated this reform and the House Committee on Foreign Affairs strongly supported change throughout the process. Furthermore, unlike many failed reforms, both Democrats and Republicans supported this measure. The Executive branch also supported the NDL and was able to work with Congress rather than in opposition to it.

The NDL was a culmination of a gradually emerging consensus, rather than a surprise or rapid change of course. [21] For example, in the years leading up to 1973, the FAA was amended in ways that set the foundation for NDL. In 1969, President Nixon initiated the Peterson Commission, led by the president of Bank of America, to evaluate US foreign assistance. Many of their recommendations were very similar to the final NDL. USAID Administrator Maurice William in 1972 recommended and supported the shift in focus of aid toward basic human needs and more participation.[22] Development researchers were also coming to a consensus that aid focused on capital projects was not sufficient to produce gains in quality of living for the ordinary person. Even Congress showed that it too was slowly coming to the conclusion that a reform such as the NDL was necessary. In 1966, Congress amended the FAA to include Title IX, which called for more participation in the aid process by people in developing countries. Title IX became the foundation of the NDL mandate to further expand the participation of aid recipients in program planning and execution as well as goal setting.

Timing played a key factor in the passage and successful implementation of the NDL. This bill came at the end of the Vietnam War after years of contentious foreign aid authorizations due to differing views over US actions in Vietnam. After the failure of authorization for foreign aid funding in 1971, most representatives in

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[18] Rolf H. Sartorius and Vernon W. Ruttan. "The Sources of the Basic Human Needs Mandate." November 1988. Economic Development Center, University of Minnesota.15 May 2009. <http://ageconsearch.umn.edu/bitstream/7486/1/edc88-04.pdf >.
[19] Hellinger, et al
[20] Nowels. "Foreign Aid Reform Commissions, Task Forces, and Initiatives: From Kennedy to Present."
[21] Sartorius and. Ruttan.
[22] Ibid.

Congress agreed that US foreign aid needed to be reformed. Furthermore, President Nixon and Secretary Kissinger were looking for ways to scale down US commitments in the world at this time. The participatory nature of aid encouraged through NDL was suited to this goal as aid recipients would be taking a larger role in programs and projects.[23] Democratic majorities in the House and Senate also facilitated NDL passage.[24]

Lastly, sustained support for this bill was crucial in its success.[25] The bipartisan group that originated the proposal included 26 core members of Congress. They supported the bill throughout debate and once it was passed continued to monitor and encourage its implementation.[26]

International Development Cooperation Agency (1979)

Six years after the NDL was passed, President Carter signed Executive Order 12163 creating the International Development Cooperation Agency (IDCA).[27] Originally, Senator Hubert Humphrey initiated legislation attempting to unify various parts of the federal government involved in foreign aid. In 1979 many agencies including not only DOS and USAID, but also Treasury, Agriculture and other departments made decisions impacting development abroad. Senator Humphrey proposed the idea of a "super" aid coordinating body that would ensure "economic development objectives [were] considered for all executive branch decisions considering finance, trade, monetary affairs technology and other economic matters."[28] This new body became the IDCA, which would coordinate bilateral and multilateral aid from all departments within the government.

Notably, when considering the roles of USAID and DOS, the IDCA removed the authority to direct aid spending from the Secretary of State and gave it to the administrator of USAID. The IDCA attempted to centralize foreign assistance from all parts of the US government into one coordinating body. USAID, as the main functioning body for foreign aid, obtained control over IDCA while the Secretary of State retained the authority to delegate aid spending relating to security.[29]

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[23] Ibid.
[24] Congressional Composition: Senate – 56D/42R; House – 242D/192R <http://www.infoplease.com/ipa/A0774721 html>
[25] Nowels. "Foreign Aid Reform Commissions, Task Forces, and Initiatives: From Kennedy to Present."
[26] Ibid., pg. 10.
[27] Executive Order 12163. Administration of foreign assistance and related functions. *The Federal Register*. <http://www.archives.gov/federal-register/codification/executive-order/12163 html>
[28] Martin E. Goldstein. *America's Foreign Policy: Drift or Decision*. Rowman and Littlefield: Delaware (1984) pg. 288.
[29] Jonathan D. Bruel and Nicole Willenz Gardner. *Human Capital 2004*. Rowman and Littlefield: Maryland (2004) pg. 104; Stephen D. Cohen. *The Making of United States International Economic*

The IDCA is an example of reform aimed specifically at USAID and DOS that did not work. Many departments, including Treasury, continued to operate independently of the IDCA. In practice, the IDCA only coordinated the work of USAID due to lack of staff, funding and sufficient mandate.[30] President Reagan did not continue funding the agency, though the director of USAID officially remained in charge of IDCA until it was abolished in 1999.

Early and continued disagreements between different departments made implementation a challenge. The Administrator of USAID, John Gilligan, resigned over the drafting of IDCA and there was no consensus within the executive itself that this agency was appropriate.[31] Once officially created, IDCA was not supported by the Reagan administration, which took office just two years after the agency's inception. This lack of support prevented the IDCA from establishing itself. The IDCA's failure to carry out its mission can also be attributed to the lack of necessary support from powerful figures such as the President, Congressional leaders and other department Secretaries to change the way departments allocate their funds. For example, much of the money that would have been at the IDCA's disposal was re-appropriated and "over time the functions fell into disuse."[32]

Hamilton-Gilman Congressional Task Force (1988-89)

In 1988, the House Committee on Foreign Affairs established a bipartisan effort to reform foreign assistance known as the Hamilton-Gilman Task Force. Driven by Congressmen Lee Hamilton and Ben Gilman, the task force was intended to restructure the FAA to reflect post-Cold War realities, clearly define the core objectives of US foreign aid, streamline congressional restrictions on the President's management of foreign assistance, repair the negative attitude in Congress toward foreign aid, and significantly improve executive-legislative relations over foreign assistance.[33]

The Task Force found that the FAA did not provide meaningful direction, could not be effectively implemented, and foreign assistance was limited by conflicting objectives, legislative conditions, earmarks, and bureaucratic inefficiencies.[34] The main recommendations involving the relationship between DOS and USAID included replacing the FAA with the enactment of a new

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Policy: Principles, Problems, and Proposals for Reform. Greenwood Publishing Group: Westport, CT (2000). pg. 86.

[30] United States Agency for International Development. *About USAID: History of USAID.*

[31] Nowels. "Foreign Aid Reform Commissions, Task Forces, and Initiatives: From Kennedy to Present."

[32] United States Agency for International Development. *About USAID: History of USAID.*

[33] Nowels. "Foreign Aid Reform Commissions, Task Forces, and Initiatives: From Kennedy to Present."

[34] US Government Accountability Office. *Foreign Assistance: AID Strategic Direction and Continued Management Improvement Needs.* GAO/NSIAD-93-106: June 1993.

International Economic Cooperation Act; the creation of a restructured foreign aid implementing agency, the Economic Cooperation Agency, to replace USAID; identification of four principal objectives (economic growth, environmental sustainability, poverty alleviation, and democratic and economic pluralism) to replace the functional accounts; and greater flexibility in implementing assistance programs.[35] The House Committee on Foreign Affairs attempted to include the Task Force's recommendations into the 1989 foreign assistance authorization bill; however, the bill failed to pass.

The legislation failed in Congress for three reasons. First, it was unable to gain broad support among major stakeholders, including the executive and legislative branches.[36] The Task Force sought executive involvement by actively inviting their input throughout the review period. Executive involvement did not reach a significant level because the bill contained so provisions that were contrary to the recommendations of the Task Force report.[37] In addition, the bill failed to gain the support of the Senate Foreign Relations Committee. Second, the bill's attempt to eliminate and restructure an existing government agency proved to be difficult and contentious.[38] Third, the Task Force did not maintain support from its primary advocates while it was being considered in Congress. Co-Chairman of the task force, Rep. Gilman, dissented from key recommendations as the bill was under consideration. As a result, members of Congress and outside actors began to question its efficacy.[39]

Wharton Commission and Peace, Prosperity and Democracy Act (1993-1994)

This initiative is directly relevant to the current proposed PNSR initiative insofar as the Commission was tasked to determine the feasibility of merging USAID with DOS in contrast to other possible reforms to USAID. While no final report was ever issued by the Wharton Commission, Deputy Secretary of State Clifton J. Wharton, Jr. did testify before the Senate Foreign Relations Committee in 1993. There, he announced the determination of the Commission that "AID, as an agency, remains strongly viable and that its problems stemmed less from where its functions are located than from an unfocused mandate, overregulation, and poor management."[40] The Commission, he said, concluded "the best option regarding the

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[35] Ibid. p. 19
[36] Nowels. "Foreign Aid Reform Commissions, Task Forces, and Initiatives: From Kennedy to Present."
[37] United States Agency for International Development. *About USAID: Brief Chronology and Highlights of the History of U.S. Foreign Assistance Activities.* 3 April 2009 <http://www.usaid.gov/about_usaid/chronology html>
[38] Nowels. "Foreign Aid Reform Commissions, Task Forces, and Initiatives: From Kennedy to Present."
[39] Ibid.
[40] U.S. Senate. *Fiscal Year 1994 Foreign Assistance Authorization*. Senate Committee on Foreign Relations. Senate Hearing 103-322. 103 Cong. 1 Sess. July 14, 1993. p. 296

organization and structure of AID is, first, to work with the Congress, to simplify and clarify AID's statutory mandate; and second, allow the new Administrator time to improve AID's internal management practices and structure through administrative action."[41]

Ultimately, the Clinton administration proposed the Peace, Prosperity, and Democracy Act of 1994[42] (PPDA) which would have repealed the FAA and put in place an entirely new structure for foreign assistance. Replacing the 33 goals and 75 priorities of the FAA with 6 major principles,[43] the PPDA attempted to align foreign aid with the regional transnational issues that were coming to the fore. Moreover, the PPDA sought to provide the executive with increased discretion over how funds would be used to achieve these 6 goals. About the PPDA, then-Secretary of State Warren Christopher acknowledged that ignoring these goals "will return compounded, more costly, and sometimes deeply threatening to our security."[44]

The administration, however, sought increased flexibility at a time when Senator Jesse Helms, known to have an ultra-conservative position on foreign assistance, was a key player on the Senate Foreign Relations Committee. In 1994, Senator Helms stated at a press conference, "The foreign aid program has spent an estimated $2 trillion of the American taxpayers' money, much of it going down foreign rat-holes, to countries that constantly oppose us in the United Nations, and many which rejected concepts of freedom. We must stop this stupid business of giving away the taxpayers' money willy-nilly."[45] After falling victim to the policy differences between the Clinton administration and Senate leaders Jesse Helms and Mitch McConnell, the legislation died in committee.

In addition to demonstrating the Clinton administration's willingness to work with Congress in order to affect reform, the PPDA acknowledges the changed nature of the threats faced by the US with the collapse of the Soviet Union. It failed, however, for a variety of reasons. First and foremost, broad reform such as the PPDA requires the input of all stakeholders, especially Congress. Senator Helms and others in Congress were a powerful force against not only the reform effort, but against foreign assistance as a whole; the only reform likely to have

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[41] Ibid.
[42] S.1856, introduced February 22, 1994 <http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=103_cong_bills&docid=f:s1856is.txt.pdf >: H.R.3765, introduced February 2, 1994 < http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=103_cong_bills&docid=f:h3765ih.txt.pdf >
[43] Peace, Prosperity, Diplomacy, Sustainable Development, Democracy, and Human Assistance
[44] Warren Christopher. "The Peace, Prosperity, and Democracy Act of 1994 – Secretary of State Warren Christopher's speech on foreign assistance legislation." 14 February 1994. <http://findarticles.com/p/articles/mi_m1584/is_n7_v5/ai_14990598>
[45] Doug Bandow. "A New Aid Policy for a New World." Cato Policy Analysis No. 226. 15 May 1995. <<http://www.cato.org/pubs/pas/pa-226.html> , quoting John Goshko, "Foreign Aid May Be Early Test of New Hill Order," *Washington Post*, November 21, 1994, p. A14

passed in the 103rd Congress would have been a reform to deconstruct US foreign assistance.

Second, the Commission was led by a DOS official rather than an independent task force which potentially led to a recommendation based on preservation of power. The Commission was tasked to determine whether to contrast various options for USAID reform, including merging USAID into DOS and reforming USAID. The ultimate recommendation was to retain and reconstitute USAID. It is possible that this recommendation was tainted by the bias of a department too "old guard" to suggest anything else.

105TH CONGRESS REFORMS (1997-1999)

The 105th Congress undertook three large scale reforms to foreign policy executive agencies; first, the United States Information Agency (USIA) was fully integrated into DOS; second, the Arms Control and Disarmament Agency (ACDA) was also fully integrated into DOS; and lastly USAID lost its remaining powers authorized under the IDCA. USAID was not integrated into DOS, but it was put under the authority of the Secretary of State. All three reforms took place concurrently, but had varying effects on the agencies they reorganized.

USIA's budget, personnel, information systems and offices were incorporated into DOS. USIA's functions came to be referred to as Public Diplomacy (PD). This consolidation was widely resisted by USIA staff and significantly harmed the ability of the federal government to convey their messages and American culture to people around the world. Though an Under Secretary of Public Diplomacy was appointed to represent that mission of USIA within DOS, PD offices experienced a systematic loss of resources.

USIA, while an independent agency, had many similarities to USAID. For example, both organizations were made independent of DOS to increase their credibility abroad and allow them to focus on more specific non-government to government diplomatic missions. Many supporters of integration of both agencies into DOS claimed that integration would increase the power of the agency by "giving them a voice at the table."[46]

A key reason that many people resisted USIA integration was that DOS was widely seen as a badly managed department. Opponents of the integration argued that merging USIA into such a broken organization would only worsen the management problems of DOS. USIA itself was unlikely to fair well in a department with chronic problems of its own.[47]

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[46] Interview with long-time senior Foreign Service officer who served at USIA, May 21, 2009. Also Interview with Dr. Nancy Snow, Associate Professor of Public Diplomacy, Syracuse University, former USIA employee. May 21, 2009.

[47] Susan B. Epstein, Larry Q. Nowels, and Steven A. Hildreth. *Foreign Policy Agency*

As USIA's integration into DOS is considered a failure, an integration of USAID into DOS should attempt to avoid the same pitfalls. Many former USIA employees that went to DOS felt as though their "voice" in DOS was rarely heard. USIA also lost staff, funding, office space, cars and other resources that were crucial to carrying out their PD functions.[48] If USAID is integrated into DOS, its funding too might be cut substantially. This funding cut may be less likely, however, for USAID, as Congress is more supportive of foreign assistance now than it was during the USIA integration. Furthermore, USIA staff was opposed to integration and little effort was made to gain their input in the process. USAID employees should be included in the integration process whenever possible not just to secure their buy-in, but also to make use of their expertise.

According to one former USIA officer who now works for DOS, a key reason for PD's failure to thrive in DOS was the lack of PD integration into the regional offices at DOS.[49] Regional offices (e.g. Western Hemisphere Affairs and Near Eastern Affairs) control substantial resources, and much of the everyday diplomatic work at DOS is carried out through regional bureau desk officers. The structure of the former USIA was placed almost intact inside of DOS and under the control of the Under Secretary for Public Diplomacy. Rather than preserving the capabilities of USIA, this type of integration prevented everyday coordination between the PD and regional desk officers by creating an artificial separation between political and economic decisions, and public diplomacy work. Now, a decade after the integration, DOS is "working to really integrate the PD element into the [regional] bureaus where people working on the same issues or countries – whether on political, economic or PD issues– actually sit next to one [another] and have unhindered cooperation…."[50] USAID integration in DOS must ensure that former USAID professionals are able to fully engage their regional counterparts.

Another criticism of the USIA integration into DOS is the loss of unique aspects of USIA culture, which increased the negative impact of integration on USIA morale. Before joining DOS, USIA employees generally had a greater focus on cooperation and teamwork. Two former USIA employees noted that DOS employees were markedly more competitive, secretive, and their work styles were less collaborative.[51] Many USIA employees did not like working in these new conditions and also felt as though their ability to carry out the public diplomacy mission was adversely affected by a culture more focused on secrecy than collaboration.

Reorganization in the 105th Congress. 6 November 1998. Congressional Research Service. 18 May 2009. <http://wikileaks.org/wiki/CRS-97-538>.

[48] Interview with senior Foreign Service officer at USIA.

[49] Email Correspondence with Foreign Service Officer who worked at USIA, May 29, 2009.

[50] Email Correspondence with Foreign Service Officer who worked at USIA

[51] Interview with long-time senior Foreign Service officer who served at USIA, May 21, 2009. Also Interview with Dr. Nancy Snow, Associate Professor of Public Diplomacy, Syracuse University, former USIA employee. May 21, 2009.

USIA's performance in DOS was negatively impacted by factors outside of integration, as well. The two most important are environmental changes outside of USIA's direct control. USIA was primarily created as a Cold War agency to promote the Western lifestyle over Communism. Once the Cold War ended, their *raison d'etre* also disappeared. Secondly, the revolution in internet and communication technology fundamentally changed the conditions in which PD operated, making it infinitely more challenging. USIA, and later PD, had to change their operations to address these conditions. USAID is also faced with a rapidly changing world and as such its integration into DOS alone will not determine its success or failure.

An additional important environmental influence on USIA's performance was budget cuts stemming from the desire of Jesse Helms to eliminate foreign policy and aid spending.[52] In contrast, Congress today is much less likely to cut funding to foreign aid programs, especially development.[53] It can also be noted, however, that many of the budget cuts to the foreign affairs community in the 1990's were an effort to reduce budget deficits, especially in areas where there was a small domestic constituency that would be affected by such reductions.[54] Today, the US government faces record budget deficits and may again find it necessary to make cuts in the foreign affairs community.

The ACDA was similarly integrated into DOS. Once in DOS, the Under Secretary for Arms Control, Nonproliferation, and Disarmament represented the former ACDA. This agency was much smaller than both USIA and USAID. Its integration went more smoothly because ACDA was mainly staffed by experts whose knowledge was considered vital to arms reduction negotiations. This smaller group was more easily integrated into DOS due to its size and unique skill set. Furthermore, this Under Secretary could advise the National Security Council (NSC) directly and could even be considered a principle at key NSC meetings, a privilege that was not afforded USIA.[55]

Lastly, this reform also affected USAID. Many of its smaller offices such as the press office and some administrative services were consolidated with DOS. This consolidation was an attempt to eliminate redundancies and save money. It also eliminated the IDCA and placed USAID under the authority of DOS. Congress stopped short of total DOS-USAID integration as, "the Secretary would "approve,

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[52] Neil R. Klopfenstein. *USIA's Integration Into The State Department: Advocating Policy Trumps Promoting Mutual Understanding.* 2003, US National War College**.** <stinet.dtic.mil/cgi-bin/GetTRDoc?AD=A442066&Location=U2&doc=GetTRDoc.pdf>

[53] Please see complete discussion of the current Congressional climate in the Roadmap section of this paper.

[54] Klopfenstein. *USIA's Integration Into The State Department*

[55] Epstein, et al, *Foreign Policy Agency Reorganization in the 105th Congress.*

but not design, overall aid and cooperation strategy."[56] These reforms did not lead to a complete integration, but it was certainly a step toward it.

Though the results of these reforms were mixed, the passing of such far reaching legislation was a success in itself. Following a contentious foreign appropriations bill in 1997, where President Clinton used his veto, both Congress and the President realized that foreign assistance would have to change in order to facilitate future agreement. Senator Jesse Helms, along with other congressional Republicans, disagreed fundamentally with many of President Clinton's foreign policy decisions and actively sought to reduce the US foreign policy budget. Despite Senator Helms' truculence, President Clinton had numerous other foreign policy goals on his agenda, such as ratifying the Chemical Weapons Convention Treaty and receiving funding to pay money that the US owed the United Nations (UN) for dues and peacekeeping operations.[57] Given the view of the Republican-led Congress and President Clinton's drive to pass these other measures, President Clinton and Secretary Albright took the lead in constructing foreign assistance reforms that would appease both Congress and the Executive.

Consolidation of FEMA into the Department of Homeland Security (2003)

The integration of the Federal Emergency Management Agency (FEMA) into the Department of Homeland Security (DHS) is similar to the proposed integration of USAID into DOS, in that both FEMA and USAID were formerly independent agencies. Like USAID, FEMA had a relatively small staff that relied heavily on its ability to leverage the resources of other agencies or organizations through contracting and other connections. Many argued that USAID's integration would also allow it a more powerful position within the government and access to more resources.[58] Between 2003 and 2005, however, FEMA's performance under DHS leadership was poor, as exemplified by its response to Hurricane Katrina. Despite the intention to provide FEMA with additional resources and leverage, in the first two years of its inclusion with DHS, FEMA suffered from a lack of funding, training and coordination, all of which have been attributed to the agency's failure in response to Hurricane Katrina.

Under President Clinton, FEMA held a Cabinet-level position. When the agency became a part of DHS, its ability to communicate directly with the President was eliminated.[59] After FEMA's failures during Hurricane Katrina, Congress

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[56] Ibid.
[57] Wendy S. Ross. "Clinton Administration Announces Foreign Affairs Reorganization." USIA White House Correspondent. April 18, 1997 <http://www.fas.org/news/usa/1997/04/bmd970423i htm>
[58] Kathleen Tierney. *Recent Developments and in U.S. Homeland Security Policies and Their Implications for the Management of Extreme Events.* 20 January 2005. (Paper presented at the First International Conference on Urban Disaster Reduction, Kobe, Japan. 19 May 2008 <http://training fema.gov/EMIWeb/downloads/Tierney2005japanfinal2.pdf>.
[59] Tierney.

became aware of this shortcoming and enacted the Post-Katrina Reform Act.[60] Despite this legislative correction, however, fears still existed that the proposed change would be insufficient. In a memorandum to President Obama, Representative Bennie G. Thompson stated, "[The Act] assures that there will be direct access [to the President] but it cannot assure that the relationship with the President will be strong or that the Administrator will have the president's confidence."[61]

While it is true that USAID was never given Cabinet status, USAID still has authority to report directly to the President. The concern with incorporating USAID into DOS is the potential for USAID, like FEMA, to lose its ability to advocate for development needs at the interagency level.[62] While USAID integration into DOS will effect direct communication with the President about development, having a direct line to the President does not necessarily equate to having the support of the President.[63] Furthermore, it is likely that even with direct access to the President, the Administrator of USAID would not have weight comparable to the Secretary of State when discussing development and foreign assistance issues with the President.

Another significant problem with the FEMA-DHS integration stems from ineffective management. DHS consistently ranked near or at the bottom of performance and morale reviews within the government. It integrated 22 different agencies and departments, with missions ranging from border protection to intelligence to emergency response. Despite the overall mission of protecting the US, agencies whose missions were most clearly related to security issues, such as border protection, received the largest budget share. FEMA's mission includes not only emergency response to terrorist attacks, but also disaster prevention and mitigation. The absence of a clear framework for the DHS-FEMA integration has hindered US national security policy and its efforts to improve emergency response.[64]

Like DHS, DOS also has problems with management.[65] With the 2006 Rice Reforms, DOS has attempted to change its structure somewhat to accommodate USAID and its development objectives. These changes, however, have not remedied

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[60] Department of Homeland Security, Office of Inspector General. *FEMA: In or Out?* OIG-09-25. February 2009
< http://www.dhs.gov/xoig/assets/mgmtrpts/OIG_09-25_Feb09.pdf>
[61] Memorandum from Congressman Bennie G. Thompson to President-elect Barack H. Obama, Re: A Strong, Effective Federal Emergency Management Agency.
[62] Gerald F. Hyman. *Assessing Secretary of State Rice's Reform of U.S. Foreign Assistance*. Carnegie Endowment for International Peace. February 2008.
[63] Department of Homeland Security, Office of Inspector General.
[64] Christine E. Wormuth with Anne Witkowsky, *Managing the Next Domestic Catastrophe: Ready (or Not)?, A Beyond Goldwater-Nichols Phase 4 Report*, Beyond Goldwater-Nichols and the Center for Strategic and International Studies, June 2008, p. VII
[65] Kennon H. Nakamura and Susan B. Epstein. *Diplomacy for the 21st Century: Transformational Diplomacy*. Congressional Research Service, 23 August 2007, pg. 3 and 23.

the endemic problems of management. Fully integrating USAID functions and staff into DOS make streamlining or reorganizing the entire department even more urgent if a larger DOS is going to function well.

As result of FEMA's integration into DHS, its functions, personnel, resources, and authorities were transferred to the Emergency Preparedness and Response Directorate of the DHS.[66] This was a significant problem as, "[c]ritics argued that FEMA was beginning to suffer a 'brain drain,' losing experienced professionals in all aspects of emergency management."[67] Furthermore, in DHS, the morale of FEMA employees also slumped.[68] In addition, FEMA's disaster prevention and mitigation functions received much less funding after it joined DHS because these aspects of the agency were not clearly within the security focus of DHS. DHS's funding was allocated to other more security oriented functions and diverted away from critical FEMA responsibilities.[69] Important development priorities within a consolidated DOS may also fall by the wayside when the better funded and historically more important diplomatic priorities arise.

Integration with DHS, however, is not the only cause of FEMA's poor performance. As an independent agency FEMA has not always performed effectively, illustrated in its response to Hurricane Andrew in 1992 and its TOPOFF 2000 exercise.[70] Other factors such as the skill level and past experience of the FEMA Administrator and staff are also keys to ensuring success.[71] David Walker, former Comptroller General of the United States, stated, "there are pros and cons to keeping FEMA in or out, but the quality of leadership...and the quantity of resources has more to do with the success of the agency."[72] As such, it is important to remember that whether discussing FEMA or USAID, the Agency's location within the government is not going to be sole determinate of success or failure.

It will take significant time for DHS to develop its total capabilities and effectively manage and integrate the 22 different agencies and missions into its overall mission of homeland security. The Government Accountability Office (GAO) reported on the establishment of DHS:

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[66] Department of Homeland Security, Office of Inspector General.
[67] Ibid.
[68] Kamark.
[69] Ibid.
[70] Donald F. Kettl, Testimony before the U.S. Senate Committee on Homeland Security and Governmental Affairs, National Emergency Management: Where Does FEMA Belong? June 8, 2006.
[71] Department of Homeland Security, Office of Inspector General. FEMA: In or Out? OIG-09-25. February 2009 < http://www.dhs.gov/xoig/assets/mgmtrpts/OIG_09-25_Feb09.pdf>
[72] Aimee Curl, "Senate Panel Unlikely to Recommend Taking FEMA Out of DHS," *FederalTimes.com*, March 15, 2006, available at http://www federaltimes.com/index.php?S=1598146 and Department of Homeland Security Office of Inspector General. FEMA: In or Out? OIG-09-25. February 2009. http://www.dhs.gov/xoig/assets/mgmtrpts/OIG_09-25_Feb09.pdf

> The magnitude of the challenges that the new department would face would require substantial time and effort and that implementation of the new department would be extremely complex. Often it has taken years for the consolidated functions in new organizations to effectively build on their combined strengths, and it is not uncommon for management challenges to remain for decades.[73]

When the Goldwater-Nichols Act was enacted in 1986, the integrated components of the Department of Defense (DOD) resisted for many years as they did not want their roles and authorizations to be diminished.[74] This restructuring of the DOD has significantly strengthened the US military capabilities; however, it still faces serious management problems.[75] The successful transformation of an organization as large as DHS will take many years for it to develop into its full capabilities.

Rice Reforms (2006)

The restructuring under Secretary Rice in 2006 is categorized as Transformational Development and Transformational Diplomacy. The intent of this reform was to "link aid programs with strategic objectives and to provide more coordination and coherence."[76]

The objective of Transformational Diplomacy is to "work with our many partners around the world to build and sustain democratic, well-governed states that will respond to the needs of their people and conduct themselves responsibly in the international system."[77] Transformational Development aims to "bring far-reaching, fundamental changes in governance and institutional capacity, human capacity, and economic structure." [78] According to the 2007-2012 Strategic Plan, [79] Transformational Development is a core component of the broader policy goal of Transformational Diplomacy.

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[73] David Walker. "Department of Homeland Security: Progress Report on Implementation of Mission." GAO-07-1081T, 6 September 2007. <http://www.gao.gov/new.items/d071081t.pdf>
[74] Department of Homeland Security, Office of Inspector General. FEMA: In or Out? OIG-09-25. February 2009 < http://www.dhs.gov/xoig/assets/mgmtrpts/OIG_09-25_Feb09.pdf>
[75] Department of Homeland Security, Office of Inspector General. FEMA: In or Out? OIG-09-25. February 2009 < http://www.dhs.gov/xoig/assets/mgmtrpts/OIG_09-25_Feb09.pdf>
[76] Connie Veillette. *Foreign Aid Reform: Issues for Congress and Policy Options*. Washington, D.C.: Congressional Research Service. November 2007. p. 1
[77] Condoleeza Rice. Speech given at Georgetown University. January 18, 2006. <http://www.freemediaonline.org/publicdiplomacytransformationaldiplomacyricejan2006factsheet.pdf >
[78] U.S. Agency for International Development. *U.S. Foreign Aid: Meeting the Challenges of the Twenty-first Century*. January 2004.
[79] U.S. Department of State, U.S. Agency for International Development. "Strategic Plan: Fiscal Years 2007-2012." Revised 7 May 2007. <http://www.state.gov/documents/organization/86291.pdf>

In an effort to breathe life into Transformational Diplomacy, Secretary Rice created the position of Director of Foreign Assistance (DFA) serving at the Deputy Secretary level, provided the position with authority over USAID and many DOS foreign assistance programs, and mandated the DFA provide "guidance" to other agencies supplying foreign assistance. Problems arose at the outset, however, because several major programs remained outside the scope of the DFA's authority, including the Global HIV/AIDS Initiative and the Millennium Challenge Corporation (MCC). Furthermore, while mandated to guide other agencies providing foreign assistance, there was no requirement that these agencies coordinate and work with the DFA.

The restructuring aimed to bring about organizational and programmatic reform. Organizationally, the restructuring centralized the budget and planning operations of USAID and DOS. This attempted to reduce duplicative processes, and increase coordination between the entities. It also sought to increase transparency of foreign assistance funding.

By way of programmatic reform, the DFA established a process known as the F Matrix. The Strategic Foreign Assistance Framework is "a tool to help policy makers with strategic choices on the distribution of funds and to ensure that U.S. foreign assistance advances the Administration's foreign policy objectives."[80] On one axis, the F Matrix describes states as falling into one of five categories – Rebuilding, Developing, Transforming, Sustaining Partnership, and Restrictive – and provides an end goal for each country category. On the other axis, the Matrix describes five objectives – Economic Growth, Investing in People, Governing Justly and Democratically, Humanitarian Assistance, and Peace and Security – divided into program areas, program elements, and sub-elements. The activities within this Matrix are those that can be funded.

While this reform was a "major step in merging foreign assistance and foreign policy in a seamless web,"[81] critics, however, argue that "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."[82] The FAA, they claim, did not foresee such a merger, thus it is not authorized by Congress. These criticisms could have been avoided had there been greater transparency in the process, and had there been engagement of other stakeholders including diplomats and Congress.

Concluding Remarks

At least in the foreign policy arena, the Obama administration is on the precipice of the change sought during their campaign. Coming into office while the

[80] Nakamura and Epstein. p. 6
[81] Hyman, p. 25
[82] Ibid.

previous administration's foreign assistance framework is still in its developing stages gives the Obama administration the opportunity to make whatever changes they deem necessary to move foreign assistance in any direction they choose. While specifics about President Obama's foreign policy are still unclear, they have the opportunity to initiate debate and participate rigorously in a major transformation in the provision of foreign assistance. With the growing belief that no longer will patchwork efforts at reform be sufficient, that the FAA's problems cannot be fixed in piecemeal fashion, President Obama is on time to bring together the current reform efforts in Congress with nongovernmental organizations, academics, and the private sector and engage these key players in a vigorous debate over the details of this much needed reform.

Development and Diplomacy in the Current Strategic Environment

The current strategic environment regarding the relationship between development and diplomacy was defined in major ways by the two terms of the Bush administration. During those eight years, foreign policy sought to incorporate development fully within the expansive tool-kit of diplomacy. The argument that development and diplomacy are linked is persuasive; development is, after all, a function of "soft power" within foreign policy and hence a diplomatic tool. This traditional relationship changed in a number of ways from 2001 to 2009. Beginning in 2002, with the National Security Strategy (NSS), and continuing through the Rice Reforms, development was heavily stressed as an arm of the national security strategy and moved away from civilian diplomatic uses. One major trend developed during the course of the Bush years: the militarization of foreign assistance.

While development was defined as a critical strategy of national security, the nexus of civilian diplomacy and development moved into the background between 2002 and 2008. The role of USAID and DOS changed dramatically during the Bush administration and played a support role for military engagement in Afghanistan and Iraq. The Obama administration has not yet taken a clear stance on foreign assistance reform, Transformational Diplomacy, or the direction in which they will mature the relationship between development and diplomacy. While speeches and testimony by the President, Vice President, and Cabinet have hinted at the direction the new administration will take on these issues, only more time will make clear the intentions and ambitions of the Obama administration.

As such, the relationship between development and diplomacy in the current strategic environment will change pursuant to the policies implemented by the new administration. This change may reflect what many refer to as "smart power": a return of foreign assistance to civilian agencies, greater emphasis and funding for traditional diplomatic personnel, economic incentives, and use of the military only as a last resort. To understand the change occurring in the relationship between development and diplomacy, it is necessary to recognize the baseline for this change.

2002 National Security Strategy and the Militarization of Aid

The use of foreign assistance through diplomatic channels is not a new strategy. It is, in fact, a tactic traditionally employed by civilian agencies. Since 1961, with the enactment of the FAA, the US has consistently provided foreign assistance to struggling nations, democratic and not, to further US interests abroad. Until 1992, foreign aid supported policies of containment and during the Clinton administration foreign aid was used as a tool to strengthen transitioning governments and developing allies. In the words of Lael Brainard, "the President's

2002 National Security Strategy recognized development alongside defense and diplomacy as a third critical and independent pillar of national security."[83]

Parts of the 2002 NSS replicated past approaches and could be found in most statements of US foreign policy. For example, the report states: "Including all of the world's poor in an expanding circle of development—and opportunity—is a moral imperative and one of the top priorities of U.S. international policy."[84] The importance of the 2002 NSS was not that it meant to use foreign aid as an integral part of international policy, but rather the depth and breadth to which foreign aid would be used as a national security strategy.

The 2002 NSS resulted in various congressional committees allocating funds to development programs in DOD[85] rather than to those traditionally providing civilian foreign assistance, such as the Departments of State, the Treasury, Commerce and Agriculture, and USAID. This transfer of "public diplomacy and assistance responsibilities" to DOD personnel is what some analysts now refer to as militarization of foreign aid.[86] In 2001, the DOD proportion of foreign assistance was 7%, growing to 20% in 2006 and to nearly 28% in 2008.[87] While a portion of this militarization was due to war fighting efforts in Afghanistan and Iraq, it also accounts for a large transfer of funds from civilian agencies to the DOD. As the commitment of military resources to Afghanistan and Iraq rose from 2002 to 2008, development assistance increased by $20 billion during those years.[88] Much of this foreign assistance was channeled through the DOD, not via the traditional civilian agencies.

Based on the expressed intentions of the Obama administration, the change in the current strategic environment will be a rapid movement away from the militarization of foreign aid. We recommend demilitarization of foreign assistance, based on the following reasons:

NO EXTRA TASKS FOR ALREADY OVERSTRETCHED MILITARY

Decreasing the role DOD now plays in development assistance delivery, a new responsibility, will allow them to concentrate on missions they are trained to

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[83] Lael Brainard. *US Foreign Assistance: Advancing National Security, Interests and Values.* Testimony before House Committee on Foreign Affairs, 23 April 2008. <http://www.brookings.edu/testimony/2008/0423_foreign_assistance_reform_brainard.aspx>

[84] United States National Security Strategy, 2002, p. 21. <http://www.globalsecurity.org/military/library/policy/national/nss-020920.pdf>

[85] Programs include: Post-conflict reconstruction, counternarcotics, and humanitarian assistance.

[86] The American Academy of Diplomacy. *A Foreign Affairs Budget for the Future: Fixing the Crisis in Diplomatic Readiness*. October 2008. <http://www.academyofdiplomacy.org/publications/FAB_report_2008.pdf>

[87] Howard Berman. *Foreign Assistance Reform in New Administration: Challenges and Solutions?* The DISAM Journal, September 2008. <http://www.disam.dsca mil/pubs/Vol%2030_3/Berman.pdf>

[88] Center for Global Development. *Reorganizing U.S. Development Assistance: For Better or Worse? A Debate.* 17 March 2006. <http://www.cgdev.org/doc/event%20docs/aidtranscript.pdf>

perform effectively and efficiently. The US military is stretched thin due to commitments in Afghanistan and Iraq, as well as traditional non-combat postings in Asia and Europe. By returning the task of development to civilian agencies, DOD personnel will be able to concentrate on military-specific tasks.

In a recent speech, Senator John Kerry explained:

> Today's imbalance between our military and civilian capabilities actually places undue burdens on our soldiers, too. A lot of people don't sort of see that connection. But often the soldiers are left behind to pick up the slack. Distracted from a military function for which they were, in fact, trained, they are over-deployed as a consequence, picking up functions traditionally reserved for highly trained civilians because we haven't taken time to train enough of those civilians and to deploy them.[89]

Return civilian face to development

Diplomacy has traditionally been a function performed better by civilian agencies than military personnel. Civilian agencies are more likely to accept and use the skills of local staff, accept stakeholder ownership in development projects, and gain access to places and people unwilling to deal with the military structure of foreign nationals. Through sustained training, diplomatically driven development projects can engage local populations more effectively. Aid flowing in primarily from the military may in fact delegitimize assistance efforts by creating the image that it is a form of apology for military action taken against a country.

Militarized aid puts aid workers in harm's way

Although the DOD has taken a lion's share of the foreign assistance monies,[90] civilian agencies and non-military contract firms still play a role in development activities. In hostile environments, where development occurs alongside combat, militarization of foreign aid has blurred the line between civilian aid workers and military development missions. As such, civilian aid workers are put in harm's way. While the military, when working on development projects, has the capability to defend itself, non-combatant aid workers are often defenseless. If the military face of development is lessened, if not removed altogether, civilian employees may benefit from a safer work environment by no longer being associated with military units.

A strict dichotomy between military units and civilian developmental personnel can work to assure a safer work environment for both. It is clear, however, that the current strategic environment does not call for disunity between soldiers and aid workers. In the words of the PNSR report, *Forging a New Shield*, "Efforts to

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[89] John Kerry. *Development and Diplomacy in the 21st Century*.
[90] Please see section titled "Demilitarize Foreign Assistance" on page 24

address current and future challenges must be as multidimensional as the challenges themselves." As this report discusses, using combat units and civilian aid workers in a way to utilize the skills of both to the fullest extent, while not sacrificing their safety, is a method of achieving "smart power."

Security assistance should be different than economic and social assistance

The blanket term "foreign assistance" encompasses many different types of direct aid: military, economic, and social, among others. Military aid is an important function of the US government, providing increased security measures for fragile or needy governments unable to meet their requirements without assistance. NATO Partnership for Peace training missions, provision of arms and supplies to the African Union, and surveillance assistance to Pakistan are all examples of military aid. In most instances, however, it would be inaccurate to describe what the military tactically terms "foreign assistance" as development.

Foreign assistance directed at the reconstruction of markets, schools, hospitals, roads, wells, and other vital social infrastructure should be organized, planned and delivered by civilian agencies as it is a much different type of aid. Security versus economic or social aid requires different approaches, skills for delivery, and work to achieve goals incomparable to one another.

Military forces are not trained in diplomacy

The military training received by a majority of the deployed troops does not include diplomatic training beyond a short language and culture seminar. On the other hand, Foreign Service Officers (FSO) within the DOS and USAID are expected to do a minimum six month training course, supplemented by extended living in that country. Their understanding of the language and nuances of the culture allows them to better interact with foreign nationals. Ultimately, this makes FSOs in DOS and USAID far more nuanced at interacting and understanding the needs of local populations and thus delivering aid more effectively.

Transformational Diplomacy

Arguably, besides the trend of militarization of foreign aid, Transformational Diplomacy was the second most influential policy to have affected the relationship between diplomacy and development. The implementation of this policy will most likely take a number of years, as the total influence on development and diplomacy is not yet fully realized. Transformational Diplomacy affected the relationship between development and diplomacy in two major ways:

Creation of the Director of Foreign Assistance

Secretary Rice created the post of DFA, "charged with directing the transformation of the U.S. Government approach to foreign assistance."[91] Most importantly, the DFA is tasked with aligning the foreign assistance programs within DOS and USAID. In 2007, the DFA had direct authority over more than $20 billion of DOS and USAID foreign assistance funds.[92] The DFA is a diplomatic agent with the primary purpose of combining the many arms of US government foreign assistance into a focused, effective aid structure.

Expand the deployment of trained diplomats abroad

Transformational Diplomacy tried to further the reach of the US government foreign assistance efforts by deploying FSOs and other aid personnel to strategic posts around the world. Under the Global Repositioning Initiative, several hundred positions, primarily political, economic, and public diplomacy officers, are being transferred largely out of Washington and Europe often to more difficult, "strategic" posts in the Near East, Asia, Africa, and Latin America viewed, according to Secretary Rice, as either "emerging" influential nations, or countries critical to U.S. interests.[93]

Although Secretary Rice first discussed in public the details of Transformational Diplomacy in 2006, the Bush administration proposed and had been using this strategy since taking office in less visible ways. For example, a citation from the 2002 NSS reads "we will use our foreign aid to promote freedom and support those who struggle non-violently for it, ensuring that nations moving toward democracy are rewarded for the steps they take." [94] Furthermore, Transformational Diplomacy was not an attempt to reverse the militarization of foreign aid. In 2006, Secretary Rice stated: "The diplomacy of the 21st century requires better 'jointness' too between our soldiers and our civilians, and we are taking additional steps to achieve it."[95]

From the point of view of DOS and USAID personnel, the intentions of Transformational Diplomacy are on-point with the general mission of US foreign assistance. The failure in the execution of the policy, however, resulted in large-scale problems with Transformational Diplomacy. The DFA was not granted proper authority over President's Emergency Plan for AIDS Relief (PEPFAR), MCC and other foreign assistance programs, hence diminishing the effectiveness and reach of the position. Funding for the expansion of Foreign Service personnel was not

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[91] Department of State. Official Website. 20 May 2009. <www.state.gov/f/>
[92] Nakamura and.Epstein.
[93] Ibid. p. 12
[94] United States National Security Strategy, 2002, p. 4.
[95] Condoleezza Rice. *Remarks at Georgetown School of Foreign Service*. Georgetown University, Washington D.C., 18 January 2006. <http://www.actfl.org/i4a/pages/index.cfm?pageid=4260>

allocated, although Rice advocated for its importance.[96] For more information on the failures and shortcomings of Transformational Diplomacy, please refer to the "Lessons Learned" section of this report.

New Administration: Intentions and Challenges

The Obama administration is currently dealing with extensive problems facing the country and international community as a whole. Between two major foreign conflicts, an unprecedented economic crisis, and strained domestic social problems, foreign assistance reform has not grasped full attention of the administration. It is possible, however, to determine some direction that foreign assistance will take in the following four years from speeches and testimony given by the administration cabinet, the FY 2010 budget proposal, politicians, and other public officials. They are:

Strengthen capacity of "soft power"

Secretary of Defense Robert Gates, in a November 2007 speech, stated: "I am here to make the case for strengthening our capacity to use 'soft' power and for better integrating it with 'hard' power."[97] Less than a year later, Gates reiterated his stance: "Our diplomatic leaders – be they in ambassadors' suites or on the State Department's seventh floor – must have the resources and political support needed to fully exercise their statutory responsibilities in leading American foreign policy."

In a move away from traditional DOS/DOD tension, Secretary Gates advocated for the expansion of funding and attention to soft power tactics, through civilian agencies, as a critical arm of national security. Secretary Gates, who was carried over from the Bush administration, has continued calling for the expansion of soft power. It is a change of direction which falls in line with general intentions of President Obama and Secretary Clinton, who are working to expand diplomatic personnel, armed with soft power tools.

Demilitarize foreign assistance

By 2008, the DOD's share of total foreign assistance was approximately 28%. A general call by President Obama, Secretary Clinton, and Secretary Gates for expanded funding for DOS and USAID is paramount to demilitarizing foreign assistance. The FY 2010 budget "provides $53.9 billion to the Department of State and other international programs, of which $36.5 billion is for foreign assistance,"

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[96] Gerald F. Hyman. *Assessing Secretary of State Rice's Reform of US Foreign Assistance*. Washington D.C.: Carnegie Endowment for International Peace, 2008. Carnegie Papers Library, Washington D.C. 19 May 2009 <www.carnegieendowment.org>

[97] Donna Miles. *Gates Urges More Emphasis, Funding for All Aspects of National Power*. American Forces Press Service, 26 November 2006. <http://www.defenselink.mil/news/newsarticle.aspx?id=48226>

an increase from the $49.8 billion allocated in FY 2009.[98] While the intentions of Congress are not yet fully realized, ranking committee members, such as Howard Berman, Chairman of the House Committee on Foreign Affairs, and John Kerry, Chairman of the Senate Committee on Foreign Relations, have expressed worry on the militarization of foreign aid.[99] Additionally, members of Congress representing both parties have demonstrated support for providing expanded foreign assistance funds to civilian agencies. Obstacles associated with this expansion may include push-back from various DOD foreign aid programs, military special interests, and the inertia attendant with implementing such change.

In May 2009, Senator John Kerry stated, during the opening remarks of testimony given by Secretary Clinton: "In a globalized world, our problems are interconnected, and so – ultimately – is our security. That is why this century's security challenges demand a new level of commitment to diplomacy and development."[100]

Expand the number of Foreign Service Officers / Development Personnel

The expansion of soft power tools inherently calls for greater deployable civilian employees within the DOS and USAID. Deputy Secretary of State for Management and Resources Jacob J. Lew comments:

> The FY 2010 budget requests $283 million to support adding over 740 new Foreign Service personnel at the Department of State The FY 2010 request includes a 45 percent increase in USAID operations to support adding an additional 350 new permanent USAID Foreign Service Officers and related capital improvements under the Agency's Development Leadership Initiative.[101]

If the new administration continues to expand Transformational Diplomacy, these FSOs will be deployed to fragile states, and will be directly involved in providing development aid to those states. In addition to FSOs, the FY 2010 budget has also requested $363 million for the Civilian Stabilization Initiative, which would "build the capacity to deploy civilians rapidly."[102]

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[98] Office of Management and Budget, official website, 25 May 2009. <http://www.whitehouse.gov/omb/fy2010_department_state/>
[99] Berman
[100] Hillary Clinton. *Testimony on the 2010 Budget Request*, Senate Foreign Relations Committee. 20 May 2009 <http://foreign.senate.gov/testimony/2009/ClintonTestmony090520.pdf>
[101] Jacob J. Lew. "Building Capacity to Protect U.S. National Security: The Fiscal 2010 International Affairs Budget." House Foreign Affairs Committee, 13 May 2009. <http://www.state.gov/s/dmr/remarks/2009/123024 htm>
[102] Ibid.

Closer cooperation with Congress in regards to foreign assistance

Many think tank analysts and members of Congress have called for fully rewriting the FAA. If, and when, this action is taken, Congress will play the central role in foreign assistance reform. Due to the movement towards this rewrite, the new administration will most likely work to develop a closer relationship with Congress in order to achieve their ambitions in regards to foreign aid reform.

Closer integration of USAID and DOS

Included in the FY 2010 budget is a request for $2.095 billion to support efforts to improve the efficiency of diplomatic and development operations. Specifically, the funding is to be used to fund the integration of DOS and USAID information technology and consolidate their administrative platforms. The substantial investment in the integration of USAID and DOS signals the operationalization of a policy that aspires to make effective use of development and diplomacy.

Implications for the Next Generation State Department

It is a central argument of the PNSR mission that the current DOS requires major internal changes to more effectively address the current global environment and requirements of national security. The Next-Gen DOS will be much different than the current agency, both in scope, structure, and reach. This section will focus primarily on how the changing relationship between development and diplomacy, and the intentions of the new administration, will affect the Next-Gen DOS:

Full integration of USAID into Next-Gen DOS

Unable to do so during the Bush administration, in 2009 the DOS filled the position of Deputy Secretary for Resources and Management, a post tasked with the responsibility of increasing efficiency in program and policy development between USAID and DOS. This post is a significant step towards full collaboration, if not eventual integration, of the two agencies.

In a recent hearing before the Senate Committee on Foreign Relations, Secretary Clinton stated, "[Deputy Secretary Jacob Lew and I] are working to increase efficiency and implement reforms throughout the State Department and USAID"[103]. The administration seems to have committed itself to tangible integration through the investment in shared technologies and administrative platforms between DOS and USAID.

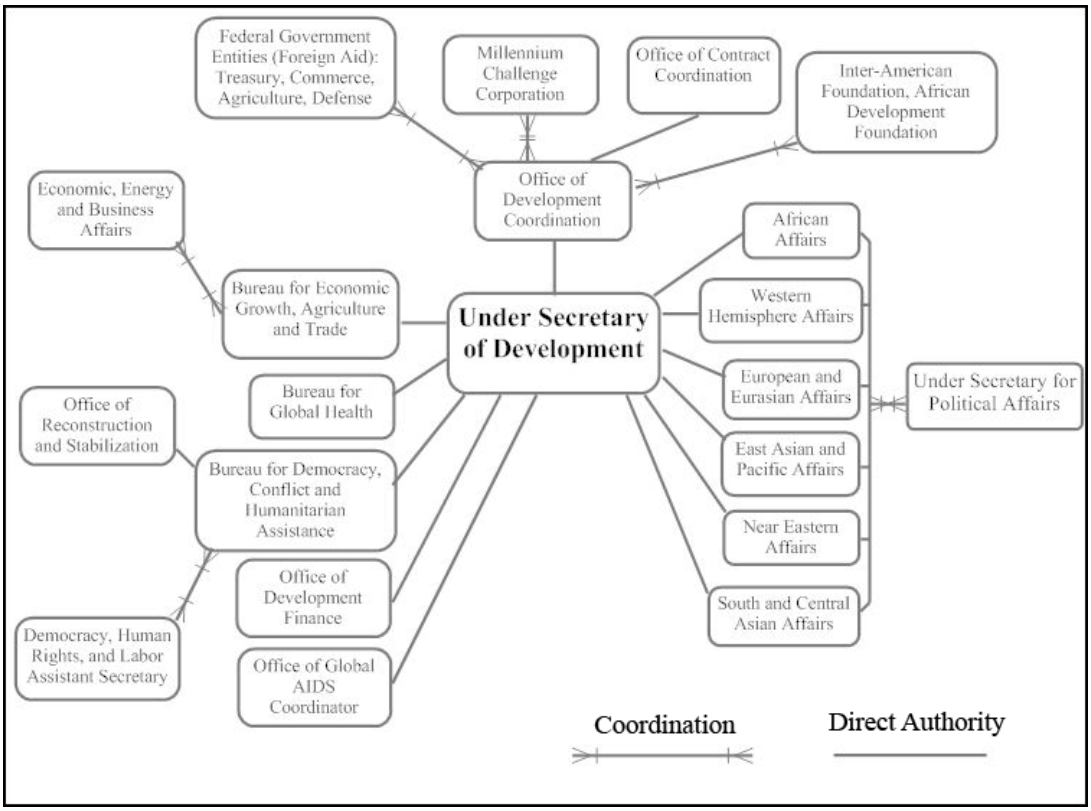
Appearing before the House Foreign Affairs Committee, Deputy Secretary Lew described what the adoption of smart power would look like for DOS and USAID: "Our simultaneous top-down and bottom-up approach allows us to focus on building much-needed capabilities in government institutions while at the same time

[103] "Senate Confirmation Hearing," Transcript. 13 January 2009. <http://www nytimes.com/2009/01/13/us/politics/13text-clinton.html?_r=1&pagewanted=all>

reaching out directly to meet humanitarian needs of populations". [104] The consideration and inclusion of both diplomatic and development goals in the creation of country-wide policy objectives is another step towards formal integration.

Transformational Diplomacy and the creation of the DFA illustrate the move to integrate USAID fully into DOS. While steps are being taken to realize this goal, it is still unclear exactly how USAID will fit into the greater organization of DOS. Some confusion exists over what level of autonomy, if any, USAID will retain, or whether it will be given authority over MCC, PEPFAR, and others.

Moving forward, there has been no clear indication of the Obama administration's intent on the issue of appointing a new DFA. Whether this delay is based on preoccupation with pressing global and national issues, or on a shift in view regarding the use of development for diplomacy, has yet to be determined.



Transforming Transformational Diplomacy

As mentioned earlier in this section, Transformational Diplomacy is an evolving set of policies that will not fully mature for a number of years. The Obama

[104] Lew

administration is already showing signs of using the basic foundation of Transformational Diplomacy, while hinting at some small changes.

Transformational Diplomacy, as defined by Secretary Rice, was a policy tool of the Bush administration. Many diplomats are weary of using "smart power" to encourage diplomatic change in foreign governments. In the words of Ambassador Melvyn Levitsky, "We are big, powerful and influential but our ability to transform countries is limited. Traditional diplomacy need not be reactivist; it can be forward looking, pro-active and anticipatory. If done properly it can advance our interests and make military intervention less likely."

Broaden mandate for Director of Foreign Assistance

Secretary Clinton has given information on her intention of consolidating the foreign assistance efforts of various federal agencies. The DFA position is a solid effort in creating a coherent foreign assistance policy, but still far from success. One Center for Strategic and International Studies report, for example, notes that "there are more than 50 separate, uncoordinated programs administered by the federal government that undertake economic and technical assistance. These programs are fractured, lack coordination, and are not aligned to achieve strategic goals."[105]

The mandate of the DFA originally never included such aid organizations like the MCC, PEPFAR, Peace Corps, Inter-American Foundation, and African Development Foundation.[106] To be truly effective, the DFA must, at least, have full authority over all foreign assistance programs within the DOS and USAID.

Important to remember is the difference between the current DFA mandate, expanding responsibility to include all DOS assistance programs, and the creation of a single bureau charged with authority over all foreign assistance, including Department of the Treasury, Defense, Agriculture, among others. Whereas the DFA position currently provides "guidance" to agencies outside of DOS, the political feasibility of granting such wide authority to the DFA will have to be considered.[107] The latter change can truly only come with a major reorganization of the DOS, which would call for organizing USAID and DOS foreign aid programs into a single coherent branch of the Department.

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[105] Richard Armitage and Joseph Nye. *CSIS Commission on Smart Power: A smarter, more secure America.* Center for Strategic and International Studies, Pre-Publication Draft, 7 November 2007, p. 67.
[106] Connie Veillette. *Restructuring U.S. Foreign Aid: The Role of the Director of Foreign Assistance in Transformational Diplomacy*. Congressional Research Service, 23 January 2007. <http://www.nationalaglawcenter.org/assets/crs/RL33491.pdf>
[107] Ibid.

Conclusion: Smart Power

The defining characteristic of the Next-Gen DOS should be the emphasis of "smart power" over more traditional approaches to foreign policy. In the rapidly changing strategic environment, in which national and international security is challenged by unconventional threats, the main diplomatic arm of the US government must be forward looking, proactive, and function with a strategy which combines all the tools available to it. The Center for Strategic and International Studies states, "Smart power is neither hard nor soft – it is the skillful combination of both. Smart power means developing an integrated strategy, resource base, and tool kit to achieve American objectives, drawing on both hard and soft power."[108] The new administration entered office with smart power on their minds and the ambition of making use of that strategy. Secretary Clinton, in recent testimony, commented: "This comprehensive approach to solving global problems and seizing opportunities is at the heart of smart power. And the President's 2010 budget is a blueprint for how we intend to put smart power into action."[109]

The strategic use of foreign assistance will be one major component of smart power. However, reform of the structure, approaches, and reach of foreign assistance must be implemented before this tool can be used to create a safer international environment. Development, when used as a diplomatic tool, greatly boosts the positive image of the US and its citizens. A lack of a coherent, single approach to foreign assistance greatly demeans the effectiveness of aid. Foreign assistance coupled and associated with the military is both dangerous to aid workers and an ineffective use of limited resources. While increased funding for soft power diplomatic and development tools has been encouraged, the FY 2010 budget will be the first real test of a major increase in fiscal allocation.

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[108] Armitage and Nye, p. 7
[109] Clinton. *Testimony on the 2010 Budget Request.*

USAID AND CONGRESS

Historically, Executive-Legislative relations have been contentious with regard to foreign assistance. When the US is engaged in armed conflict in the world, the need for foreign assistance comes to the fore. This became clear during the presidency of George W. Bush when an emphasis was placed on utilizing the military provide foreign assistance. Some believe that between 2001 and 2006, Congress virtually abdicated their oversight role in foreign policy and national security to the President. The existence of effective vehicles for oversight, appropriations, and authorizations of foreign assistance programs is necessary for true congressional participation in foreign policy and national security and for presidential flexibility in providing assistance in a fast-changing world.

CONGRESSIONAL INFLUENCE ON USAID AND DEPARTMENT OF STATE

Congress is granted the Constitutional duties of authorization, appropriation, and oversight. Through the effective use of its authorities, Congress may play a significant role in making foreign policy. The main legislative vehicle for foreign assistance for the last five decades has been the FAA.[110] Due, however, to acts of the legislature,[111] the executive,[112] and the nature of the political environment, the system through which foreign assistance programs are authorized and funded has become fractured, dysfunctional, and outdated.

Originally designed in the shadow of World War II, with the threat of communism looming large, the FAA was the cornerstone of what President Kennedy referred to as "the 'Decade of Development,' designed to help the new and developing states of the world grow in political independence, economic welfare and social justice."[113] Four months into the FAA's lengthy and complex evolution, President Kennedy referred to the program as "presuppos[ing] basic changes, careful planning and gradual achievement."[114] That "careful planning" which the Kennedy administration and the 87th Congress intended to exist with regard to foreign assistance and development has been effectively laid to waste by, among other things, the effects of a revised budget process on authorization and appropriation committees, congressional earmarks, directives, sanctions, and inadequate or weak oversight of foreign aid programs.

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[110] P.L. 87-195, as amended.
[111] Congressional Budget and Impoundment Control Act of 1974. P.L. 93-344.
[112] Creation of the MCC and PEPFAR
[113] John F. Kennedy. "Special Message to Congress on Foreign Aid." March 13, 1962. <http://www.presidency.ucsb.edu/ws/index.php?pid=9097>
[114] Ibid.

Authorizations and Appropriations

"While the power over appropriations is granted to Congress by the Constitution, the authorization-appropriation process is derived from House and Senate rules."[115] Authorization measures not only permit the establishment or creation of an agency or program, but also authorize the appropriations for the agency or program. This is "intended to provide guidance regarding the appropriate amount of funds to carry out the authorized activities of an agency."[116]

Appropriations incur obligations and authorize payments to be made out of the Treasury to fund agencies and programs. Foreign assistance law requires Congress to authorize funding for programs before appropriated funds are spent. Until 1986, Congress either passed authorizing legislation or amended FAA to update authorizing time frames. Therefore, sections of the FAA do not reference authorization beyond 1987 unless the program was added by amendment after that time such as the Trafficking Victims Protection Act of 2000. Rather, programs are continued through the use of appropriations legislation containing an explicit waiver of the authorizing requirement.[117]

Today, while authorizers still play a role in the establishment of programs,[118] their role in continuing and modifying programs has diminished greatly. After the passage of the FAA, Congress consistently passed comprehensive authorization legislation and served to provide control and oversight over the executive, and to provide for sufficient appropriations for the programs. However, the Congressional Budget and Impoundment Act of 1974,[119] also referred to as the Congressional Budget Act (CBA), shifted the importance and relevance of authorizing legislation to the appropriations side of the process.

Before the CBA, "[t]he only formal obstacle to fully appropriating foreign aid at the dollar levels set forth in periodic reauthorization acts was the ability of foreign aid's advocates to mobilize a majority of votes in the Senate and the House."[120] Several of the new procedures under the CBA "required an unrealistic level of coordination among [authorizing] committees"[121] and could only be managed by appropriations committees. Separate allocations for the International Affairs budget account were made to the various committees with jurisdiction. In the case of foreign affairs,

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[115] Bill Henniff, Jr., *Overview of the Authorization-Appropriations Process*. Washington, D.C.: Congressional Research Service, July 2003., p. 1
[116] Ibid, p. 2
[117] For an example of this language, see *Department of State, Foreign Operations, and Related Programs Appropriations Act of 2009*, P.L. 111-8, Div. J, §7023.
[118] "Every major new bilateral foreign assistance program since 1985 has passed through the authorization process." Charles Flickner. "Removing Impediments to an Effective Partnership with Congress." in *Security by Other Means*, ed. by Lael Brainard (Washington, D.C.; Brookings Institution Press, 2007), 228
[119] P.L. 93-344
[120] Flickner, p. 231
[121] Ibid.

those allocations were made among many committees, making coordination difficult if not impossible. Uncoordinated allocation became a determining factor in the foreign aid budget process, effectively squeezing out a substantive role for the authorizers.

Earmarks and Directives

"Earmarks" have been defined as "statutory requirements that require minimum or maximum amounts of funds to be obligated to a specific country, project, or purpose."[122] By contrast, directives are "non-statutory rules to the same effect and are usually found in the committee report that accompanies appropriations legislation."[123] Directives can be used by Congress to clarify legislative language, alert the executive about management deficiencies, or increase flexibility for the executive.[124] The *Pig Book* identified 10,160 projects at a cost of $19.6 billion in the FY 2009 appropriations acts. Within the FY 2009 Foreign Operations Appropriations Act, they found 16 projects at a cost of $256 million.[125]

"Earmarks have proliferated because they allow Congress to influence policy and demonstrably serve constituent (or special-interest) concerns."[126] As reported by CSIS, "[a]s often as possible, projects are designed to fulfill multiple earmarks. A water project in the Congo, for example, might also help fight malaria while investing in a conflict-prone state."[127] This practice, however, does not lend itself to sustained development efforts; Congressional reductions of certain earmarks in subsequent years would lead to much needed programs being cut, thereby not promoting a sustained development presence in a particular region.

According to a CSIS study, "the alternative to earmarks is appropriating money to government agencies and ceding them authority to allocate funds to programs within their purview."[128] This position fails to consider that under a more coherent and efficient alignment of foreign aid programs with the necessary reporting requirements in effect, such an appropriation would continue to allow the level of oversight desired by Congress as well as the flexibility sought by the executive.

Earmarks do not originate only in Congress, however. Executive earmarks originate from the administration wishing to safeguard a certain level of funding for a specific program or purpose. These earmarks mushroomed under the Bush Administration and include PEPFAR and the MCC, are not subject to the standard restrictions and

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[122] Derek Chollet, Mark Irvine, and Bradley Larson. *A Steep Hill: Congress and U.S. Efforts to Strengthen Fragile States*. Center for Strategic & International Studies. p. 14
[123] Ibid.
[124] Flickner. P. 236
[125] Citizens Against Government Waste. http://www.cagw.org/site/PageServer?pagename=reports_pigbook2009
[126] Chollet et al, p. 14
[127] Ibid, p. 18
[128] Ibid, p. 14

reporting requirements of more traditional providers of foreign assistance, and create duplicative functions already being carried out by USAID and DOS.[129]

Recently, there have been efforts to achieve greater transparency in earmarks and directives; however, those efforts only apply to domestic earmarks and do little to affect international earmarks.[130] Ultimately, earmarks result in unclear statutory guidance, planning difficulties, and decreased flexibility for the executive.

SANCTIONS

Sanctions are proscriptive in nature, typically prohibiting the use of foreign aid and involvement with certain countries, entities, or in certain geographical locations. Some sanctions seek to induce other countries to engage in actions more in line with our goals, while others prohibit specific activities, such as training foreign police. All sanctions, however, allow for a waiver procedure whereby the president or other executive officials can waive the sanction "if the president determines that the application of sanctions would significantly harm national security."[131]

When imposing sanctions, Congress tends to respond by casting a broad net over a targeted problem and operates without concern for broader issues. For example, foreign assistance to Pakistan skyrocketed during the Soviet invasion of Afghanistan when Pakistan funneled economic and military assistance to the Mujahideen fighting the Soviets in Afghanistan. Shortly after the Soviet withdrawal from Afghanistan, when the United States was no longer able to affirm that Pakistan did not have an active nuclear program, all assistance and aid programs to Pakistan came to a halt. "In hindsight, it is clear that a blanket piece of legislation resulted in too much emphasis on one policy goal at the expense of other concerns, such as counterterrorism and democracy promotion."[132]

Furthermore, conflict situations often require the ability to respond quickly. The lengthy approval process required to pass multiple exemptions to a sanction impedes the flexibility needed for the executive to act. Therefore, legislation should be frequently reviewed and reauthorized in order to repeal or modify sanctions which are outdated, no longer reflect current foreign policy objectives, or have been so completely overridden by the executive waiver process to have made the sanction meaningless in today's climate.

OVERSIGHT

An integral part of our system of checks and balances,[133] oversight in the foreign policy realm includes "making sure that the laws [Congress] writes are faithfully

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[129] Chollet, et al, p. 18-19
[130] U.S. Senate. *Transparency in Congressional Directives*. Senate Report 110-128. U.S. Department of State, Foreign Operations, and Related Appropriations Bill, 2008, 110th Congress, 1st Session.
[131] Chollet et al, p. 10
[132] Ibid. p. 22
[133] Derived from the implied powers of the U.S. Constitution, various laws, and House Rules.

executed, and vetting the military and diplomatic activities of the executive."[134] With regard to recent congressional oversight, "many Capitol Hill observers and staff concede that on issues of foreign policy and national security, oversight 'virtually collapsed' during the first six years of the Bush administration."[135] *The Washington Post* reported that for the first six years of the Bush Administration "[a] Congress under firm Republican control was somnolent when it came to oversight of the executive branch."[136] Further, it was "the temporary breakdown in the system of checks and balances that occurred between 2001 and [2007] -- when the Republican Congress forgot its responsibility to hold the executive branch accountable."[137] CSIS notes that one of the impediments to strong oversight is the large amount of time required to undertake proper oversight, and with different committees having jurisdiction over different aspects of the same issues, there is a lack of coordination involved, as well.[138]

Appropriations, authorizations, and regular reporting requirements are all means by which Congress conducts oversight in the foreign policy arena. According to the House Committee on Rules website, Congress is mandated to "exercise 'continued watchfulness' of the administration of laws and programs under their jurisdiction."[139] If properly executed, oversight serves to improve the efficiency and effectiveness of governmental operations; evaluate programs; detect and prevent waste, fraud, abuse, and illegal conduct; ensure compliance with legislative intent; and prevent executive encroachment on legislative authority and prerogatives.[140]

In the wake of the 2006 midterm elections in which the Democratic Party regained control of the House and the Senate split was 49/49/2,[141] members of Congress felt an electoral mandate to re-engage with regard to oversight of the executive. While typically constituent voters have little passionate feeling about foreign policy, the 2006 mid-term election is popularly considered a vote on the Iraq War. As such, the newly reconstituted Congress reasserted itself in the foreign policy arena where, previously, they had acquiesced to the requests of the Executive.

As a CSIS report states, "effective oversight is constructive, results driven, and sensitive to the fluid conditions of field operations."[142] It would allow for flexibility

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[134] Chollet, et al, p. 31 (citing Ornstein & Mann)
[135] Chollet et al, p. 31
[136] David Broder. "Congress's Oversight Offensive." *The Washington Post*. March 18, 2007; B-07 <http://www.washingtonpost.com/wp-dyn/content/article/2007/03/16/AR2007031601989_pf.html>
[137] Broder.
[138] Chollet et al, p. 32
[139] "The General Principals of Congressional Oversight." citing language from The Legislative Reorganization Act of 1946 (P.L. 79-601) <http://www.rules.house.gov/archives/comm_gp_cong_oversight.htm>
[140] Frederick M. Kaiser. *Congressional Oversight*. Washington, D.C.: Congressional Research Service. January 2006. p. 2.
[141] Composition of Congress, by Political Party, 1855-2008. http://www.infoplease.com/ipa/A0774721.html
[142] Chollet et al, p. 34

in administering programs and aid when conditions on the ground change rapidly. If existing oversight mechanisms were utilized fully by Congress, and they exercised the "continued watchfulness" as mandated under the Legislative Reorganization Act of 1946, it is unlikely that major reform would be necessary at this time. Simply put, had Congress been diligent and responsible in their obligations, the necessary modifications to the FAA may have been made as circumstances dictated, thus precluding the current situation of pervasive inefficiency in authorization, implementation, and administration of foreign aid by both the executive and legislative branches.

Impact of Congressional Influence on Consolidating Authority in the Secretary of State

With a growing body of literature assessing the role of Congress in past aid reform, valuable insight is gained on issues that may arise in future reform efforts. Many of these lessons can be applied to the scenario of further combining USAID and DOS. Based on this analysis, integrating these agencies is likely to meet opposition from Congress due to problems associated with oversight and a lack of coordination between Congress and the Executive.

Congress and Executive Branch Coordination

Described in the book *Security by other Means*, the current methods of congressional oversight have become a series of "ineffective hurdles to aid effectiveness" aimed at managing implementation by executive branch agencies.[143] Taking the form of legislative restrictions and procedural requirements, these hurdles limit the flexibility in the use of appropriations. For example, even the most "informal process of notifying Congress of administration proposals to reprogram funds…can be used by congressional staff members to delay earmarked funds for up to six months."[144]

Some argue that the mistrust and conflict between the two powers is due to a lack of understanding of their own, and each others, roles.[145] In other words, unless a congressman has a personal interest in a foreign assistance issue, they are unlikely to comprehend the full consequences of a specific presidential proposal. Conversely, the executive branch may undermine the long-term sustainability of their proposals by failing to understand the interests of Congress. When one considers the further integration of USAID and DOS, it is not unreasonable to assume that if these reforms are carried out solely by the executive branch they are likely to meet skepticism and even resistance by Congress.

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[143] Flickner p. 226
[144] Ibid p. 242
[145] Ibid p. 242

Aggravated by a lack of understanding of each others' roles, foreign aid reform is limited by congressional fears of ceding too much power over foreign policy to the executive. As a result, Congress ardently manages the implementation of appropriations through earmarks, directives and other legislative hurdles. This limits the flexibility of these agencies and promotes an inefficient and uncoordinated approach to foreign aid provision. This loss of control can be mitigated by increasing the importance of regular program authorizations, streamlining reporting requirements and creating a less contentious and micromanaged oversight system.[146]

Congressional Oversight

Discussed in detail in the previous section, the existing legislative oversight system lacks an overall strategic vision, yet attempts to retain control through managing the appropriations process in excessive detail. The focus on appropriations, while neglecting the enactment of comprehensive authorizing legislation has led to a disjointed approach to foreign aid policy and a dependence on earmarks and directives to limit the actions of the executive.

While some argue that further consolidating USAID into DOS will improve the provision of foreign aid,[147] if Congress and the executive continue to invest in new, autonomous foreign aid initiatives (e.g. MCC and PEPFAR), reform efforts will likely be ineffective. These initiatives not only replicate mandates and direct funds away from USAID, but they promote further fragmentation of the foreign aid system. What some describe as "ad hoc,"[148] continuing the past process of creating independent development agencies is a significant challenge to promoting a strategic vision for foreign aid distribution and structural coherence among providers.[149]

Similarly, combining USAID with DOS will limit the flexibility of aid provision. Prior to the 2006 Rice Reforms, USAID was an independent agency, and had more autonomy in the development of aid policy. However, since these reforms and integration with DOS, USAID's mandate of providing foreign aid has become more closely aligned with foreign policy goals.[150] As a result, foreign aid's connection to diplomacy will potentially limit the purpose and countries to which aid can be provided.[151] For example, foreign assistance may become limited by specific sanctions that only provide aid to countries that meet criteria associated with topics ranging from religious freedom to nuclear proliferation.[152] Further integrating the purposes of these two agencies will likely exacerbate this issue.

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[146] Chollet, et al
[147] The American Academy of Diplomacy *A Foreign Affairs Budget for the Future: Fixing the Crisis in Diplomatic Readiness*. October, 2008.
[148] Hyman. *Assessing Secretary of State Rice's Reform of US Foreign Assistance.*
[149] Chollet et al.
[150] Epstein and.Weed
[151] Chollet, et al
[152] Flickner pg. 239

CABINET-LEVEL REFORM ALTERNATIVE

One of the most commonly mentioned solutions to reducing the fragmentation of US foreign aid provision and improving its effectiveness is removing USAID completely from DOS. What these plans entail is consolidating all foreign assistance programs within USAID or in a newly created Department of Development. This new agency would become a cabinet level post, with its newly created director (e.g. Secretary of Development) reporting directly to the President. This proposal aims to address shortcomings of the existing system by ensuring centralized coordination of foreign aid provision, increasing the stature of development to be consistent with current US foreign policy rhetoric,[153] and allowing for more independence in policy setting for foreign assistance.[154]

The removal of such a large function from DOS will have serious consequences for USAID, other foreign aid providers, Congress and DOS itself. This being the case, several researchers have developed opinions to the effectiveness and feasibility of such a proposal. With regard to DOS, removing the development function from their purview subtracts direct control over a powerful tool to serve their foreign policy goals. Some argue that separating development from DOS is detrimental to both agencies. Specifically, even if development is raised to a cabinet level post, it is likely to remain – possibly to a lesser extent- tied to foreign policy.[155] In other words, besides the likely scenario of the executive branch continuing to use foreign assistance to serve diplomatic purposes, many development assistance programs are dependent on DOS infrastructure and liaisons to coordinate distribution.[156] Thus, the two agencies are inevitably dependent upon each other to enact some initiatives. The problem arises in increased stature and influence of the Department of Development which is likely to conflict with the foreign policy goals of DOS.

As such, reform would affect USAID by bringing increased independence as well as additional resources in the form of funding and personnel. Under the current structure, USAID has been partially subsumed by DOS through reform measures enacted in 2006 under Secretary Rice. Furthermore, in the years leading up to these reforms, USAID saw its budget cut and development activities once mandated to USAID being provided by other agencies.[157] The CRS report *Foreign Aid Reform: Issues for Congress and Policy Options*, explains that merging USAID into a

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[153] Susan Epstein and Connie Veillette explain in their article "Foreign Aid Reform: Issues for Congress and Policy Options" that this proposal would shift the emphasis of development in the current US foreign policy pillars of Diplomacy, Development and Defense.
[154] Susan B. Epstein.and Connie Veillette. *Foreign Aid Reform: Issues for Congress and Policy Options.* Washington, D.C.: Congressional Research Service. 2009.
[155] Gerald F. Hyman. *A Cabinet-level Development Agency: Right Problem, Wrong Solution..* Washington D.C.: Center for Strategic and International Studies, 19 May 2009 <http://www.csis.org>.
[156] Ibid.
[157] Hyman. *Assessing Secretary of State Rice's Reform of US Foreign Assistance*

cabinet-level development agency has the potential of bringing increased resources and aid policy independence.[158] Others argue, however, that the interconnectedness of USAID's purpose with foreign policy will limit the benefits of this strategy. [159]

In recent years, Congress has taken a relatively passive role in foreign assistance reform; creating a new cabinet-level agency, however, would call for dramatically increased involvement through legislation, as well as bring changes to the current oversight structure. Fundamentally, the creation of a new development agency requires a revision of or amendment to the FAA. This particular action would be conducted by the House Committee on Foreign Affairs and the Senate Committee on Foreign Relations through authorizing legislation. While there has not been any comprehensive legislation passed in recent years, members on Capitol Hill have begun to call for broader foreign assistance reform.[160]

One of the most vocal advocates for foreign aid reform has been Representative Howard Berman.[161] During a June 25, 2008 foreign aid reform hearing before the House Committee on Foreign Affairs, Representative Berman stated "Next year, I hope that we in this committee will begin an overhaul of the FAA. As part of this endeavor, we'll look at improving the personnel, procurement and other authorities to ensure that U.S. diplomats and development experts can operate effectively in Washington and in the field." During the same hearing, Representative Barbara Lee specifically stated that "[she] like[s] the idea of a Cabinet-level position for the coordination of development," because it will elevate the importance of development in future foreign policy initiatives.[162] While Rep. Berman has sponsored several pieces of legislation in the House during this session of Congress,[163] to date no comprehensive modification of the FAA has been submitted.

While researchers and members of Congress have identified a need to revise the FAA and create a cabinet-level development agency, others are more skeptical that the political impetus exists to undertake such a measure. One CSIS study concluded that there is not enough political will to complete this process and that focusing attention on something as controversial as revising the FAA would potentially bring unnecessary conflict that will divert attention from solving the

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[158] Epstein and Veillette
[159] Hyman. *A Cabinet-level Development Agency: Right Problem, Wrong Solution*
[160] To direct the President to develop and implement a comprehensive national strategy to further the United States foreign policy objective of promoting global development, and for other purposes., H.R. 2139, 111 Cong., Library of Congress (2009).
[161] "Foreign Assistance Reform: Building US Civilian Development and Diplomatic Capacity in the 21st Century", 1 House Committee on Foreign Affairs (2008) (testimony of M. Peter McPherson and J. Brian Atwood).
[162] Rep. Barbara Lee did, however, express concerns about the feasibility of such a proposal and question those testifying at the congressional hearing about the potential ramifications of such an action.
[163] H.R. 2139; H.R. 2410.

problem of aid agency fragmentation.[164] In the book *Security by other Means*, it states "broad, comprehensive foreign aid reform…holds the promise of both achieving significant results and bringing greater policy coherence….but with a wider scope, the prospects of more resistance and possible failure grow."[165] Regardless of whether the initiative exists to revise the FAA, the idea of substantive reform is likely to meet with considerable resistance.

In terms of oversight, creating a cabinet-level development agency will change the relationship between Congress and those who implement development policy. *Security by other Means* discusses how legislative oversight has shifted from reauthorization legislation as a way to manage federal agency activity to strictly limiting their influence through appropriations.[166] With the existing structure of USAID's appropriations being strictly controlled through the use of earmarks and directives, the increased stature of a Secretary of Development may allow for more flexibility in a Department of Development's funds. Thus, elevating development to a cabinet-level agency can limit the primary tool of congressional oversight, appropriations.

Considering the interests of the aforementioned stakeholders, it highlights the difficulty of creating such a comprehensive reform effort. Removing USAID from DOS will require substantial coordination between the executive branch, Congress, USAID leadership, the Secretary of State and various other parties. While many see this as a reasonable solution to foreign aid reform[167], the level of coordination required to implement such a reform limits the likelihood of success. The fact that USAID only controls approximately 20% of foreign assistance,[168] leads one to question the ability of reformers to confront the interests of the various other foreign aid providers. Reformers will have to convince agencies and departments with substantial influence to relinquish a major portion of their agency to a new department. Similarly, with concerns existing that the proposed Department of Development would have far less influence that it counterparts in DOS and DOD,[169] the probability of obtaining widespread support from the various affected stakeholders is unlikely.

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[164] Hyman. *A Cabinet-level Development Agency: Right Problem, Wrong Solution*
[165] Nowels. "Foreign Aid Reform Commissions, Task Forces, and Initiatives: From Kennedy to Present."
[166] Flickner
[167] Steve Radelet. *Modernizing Foreign Assistance in the 21st Century: An Agenda for the Next U.S. President*. Washington D.C.: Center for Global Development, 2008.; see also J. Brian Atwood, M. Peter McPherson and Andrew Natsios. "Arrested Development: Making foreign aid a more effective tool." *Foreign Affairs* (2008): 123-132; see also Lael Brainard. "Organizing Foreign Assistance to Meet Twenty-First Century Challenges." *Security by Other Means: Foreign Assistance, Global Poverty, and American Leadership*. ed. by Lael Brainard (Washington, D.C.: Brookings Institution Press, 2007).
[168] Epstein and Veillette
[169] Ibid

CONCLUSIONS FOR USAID AND CONGRESS

It has been suggested by some that DOS reform should mirror the reorganization of the DOD.[170] The Goldwater-Nichols Department of Defense Reorganization Act of 1986[171] attempted, among other things, to ameliorate the problems created by inter-service rivalry. Similar legislation with regard to DOS could integrate USAID into DOS in such a way as to provide for the capacity for streamlined joint operations by, among, and between the various agencies and departments providing foreign aid. Currently, DOD has more latitude in exercising its authorities than USAID and DOS because it has a larger budget and better relations with its oversight committees.

There are major structural obstacles to reform, however: the federal budget process in both branches causes delays in funding projects on the ground; ineffective congressional oversight must be improved in order to increase the flexibility of the executive to respond to the rapidly changing environment on the ground; and special interest groups shape aspects of foreign policy more than broad voter interest or adequate member attention. Broad legislative reform, similar to Goldwater-Nichols, could provide for sufficient funding, improve oversight relations between Congress and DOS/USAID in development efforts, and limit earmarks urged by special interest groups.

In the current circumstances, the Initiating Foreign Assistance Reform Act of 2009[172] is unlikely to pass because those reform initiatives emanating from Congress have typically not garnered executive support. As of this writing, it has been pending before the House Committee on Foreign Affairs for one month without action. Furthermore, the Obama administration has yet to put forth any salient plan for foreign assistance. It has been suggested that the most opportune time for a new administration to put forth major reform legislation is during the "honeymoon" phase of the administration as was the case with the Kennedy administration in 1961. In the first two months of his inauguration, Kennedy addressed Congress, garnered the support of key congressional members, and proposed legislation before the summer's appropriations bills were being considered. If this is the "perfect storm," the Obama administration has missed its window of opportunity for reform. Due to the unusual issues and political circumstances surrounding the 2008 election, it is unlikely that our next President will come into office with as high an approval rating as did President Obama, thereby making the possibility for initiating the necessary reforms more difficult.

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[170] Robert B. Oakley and Michael Casey, Jr.. "The Country Team: Restructuring America's First Line of Engagement." *Joint Forces Quarterly*. Iss. 47, 4th qtr, 2007. p. 146. <http://www.ndu.edu/inss/strforum/SF227/SF227.pdf >

[171] P.L. 99-433

[172] H.R. 2139, 111th Congress, 1st Session.

Roadmap for the Integration of USAID into A Next Generation Department of State

Current initiatives for foreign aid reform, as on the minds of the new administration and Congress, will likely entail a major re-haul of the status quo. Perhaps the most substantial step to be taken in foreign aid reform is the full integration of USAID into DOS, thereby completing the steps taken by Secretary Rice in 2006. While integration of USAID is desirable and on-point with current intentions, it is a major initiative that will require cooperation of the Executive, the Cabinet, Congress and other stakeholders. Integration, along with other foreign aid reform, will give a different face to the modern DOS and completely redefine USAID as it currently exists.

Most importantly, such coordination will call for the creation of an Under Secretary of Development at DOS (U/F). This new office, focused on administering the US government's foreign assistance programs, will incorporate the current functions of USAID, as well as entities within DOS that carry out development projects. The U/F will coordinate with other federal government agencies that engage in development oriented work overseas. With expanded responsibilities and authority, the new Under Secretary for Development will be able to effectively oversee all foreign assistance programs within the DOS and coordinate the overall development policy of the US government.

Below we provide a roadmap for the integration of USAID and the eventual creation of a U/F within the Next-Gen DOS.

Declaration of intentions

The creation of the U/F requires a formal public declaration by the President of his intent to initiate reform. This is a crucial step in developing early support and gaining momentum for the passage of reform proposals. Since DOS will be the flag-bearer for initiating this reform, they need to take the lead in reaching out to the involved parties. In this case, DOS needs to garner support from the powers that oversee the process as well as from those within the affected organization. Due in part to the number of other pressing issues facing the President, to date, the Obama administration has yet to present any formal positions on the integration of USAID into DOS.

The original impetus for reform does not have to emanate only from the President. With a growing movement in the current Congress to affect reform of the FAA, the Presidential declaration can bridge the executive-legislative divide to rally support from all stakeholders. This allows the President to retain focus on pressing global and domestic issues while capitalizing on existing Congressional momentum for reform.

The Secretary of State needs to make a case to Congress outlining the importance of implementing US government-wide reform. Being that a complete integration of USAID and other foreign aid providers into DOS requires authorizing legislation,[173] gaining congressional support is essential to ensure the success of the initiatives. Specifically, the Secretary of State must work with the House Committee on Foreign Affairs and the Senate Committee on Foreign Relations since they oversee the development and initial approval of legislation regarding foreign policy.

A critical step in making the integration of USAID into DOS a positive and effective process requires reaching out to the affected agencies, employees and management. One possible method would be the creation of a DOS "Advisory Committee on Integration," specifically mandated to identify and iron-out problems. This group would have to include the current DFA, past administrators of USAID, members of the Modernizing Foreign Assistance Network, among other.

The final step in developing initial support for reform measures is reaching out to individuals within the affected agencies. The inclusion of non-management personnel from USAID and DOS in the Advisory Committee will help to consider the costs and benefits associated with integration, and recognize with potential problems.

Legislation to originate in Senate and House Foreign Affairs Committees

Short-term restructuring would require legislation comparable to the law which folded USIA and ACDA into DOS.[174] This legislation abolishes USIA, transfers all the functions of the Director of USIA and all functions of USIA to the Secretary of State and amends Title 22 of the US Code[175] by creating a position of Under Secretary for Public Diplomacy and listing the responsibilities of the post. The proposed merger of USAID into DOS would require similar amending legislation and the statutory creation of a U/F within Title 22.

Long-term restructuring would require a full-fledged repeal and rewrite, or immense modification, of the FAA in a Goldwater-Nichols manner. This would require ensuring the U/F has adequate authority over all foreign assistance programs. Further, rather than attempt to move mountains by pulling existing authority from other departments currently engaged in foreign assistance work, instead mandate that agencies and departments utilize a FACTS-type[176] system for coordination purposes, and collaborate with the U/F on provision of assistance.

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[173] Epstein, Susan B. and Veillette, Connie. "Foreign Aid Reform: Issues for Congress and Policy Options." Congressional Research Service. Washington D.C.: Congressional Research Service, 2009.
[174] P.L. 105-277, §1311 et seq. <. http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=105_cong_public_laws&docid=f:publ277.105.pdf>
[175] Amends §1(b) of the State Department Basic Authorities Act of 1956. 22 U.S.C. 2651a(b).
[176] Foreign Assistance Coordination and Tracking System

Optionally, funding for other non-DOS foreign assistance programs could be tied directly to the department's ability to comply with this mandate.

Non-DOS departments would need mandated reporting requirements in their authorizing legislation. They would be required to report to the U/F and relevant congressional committees. Additionally, only those non-DOS programs in existence at the time of U/F's creation would continue outside of U/F authority; any new programs would run through the U/F with appropriations being funneled through U/F to the providing entity. As an alternative, with specific U/F consent and approval, new programs could be handled through the entity directly. Optionally, in order to receive funding for the programs, the U/F would have to concur with the department or agency providing the program.

The current makeup of congressional committees could lend itself to congressional support of major reform efforts. There is already an impetus in Congress for reform regarding foreign assistance and development. Beginning in the House of Representatives, Howard Berman (D-CA) is the Chair of the House Committee on Foreign Affairs. He is the sponsor of recent FAA reform legislation. The Ranking Minority Leader on the Committee is Ileana Ros-Lehtinen (R-FL). In January 2009, she sponsored a concurrent resolution proposing the establishment of the Joint Select Committee on Reorganization and Reform of Foreign Assistance Agencies and Programs.[177] This legislation appears to have stalled in the House Rules Committee, but is indicative of the potential for bipartisan reform.

David Obey (D-WI) chairs the House Appropriations Committee, and also serves on the Subcommittee on State and Foreign Affairs. CQ Weekly reported on May 18, 2009 that:

> [Obey] has a fellow Democrat in the White House who shares his progressive views, as well as a large enough majority in his party's caucus that he can pursue his agenda at will, if carefully. Moreover, Obey's former committee staff director, Robert Nabors, is the No. 2 official in the White House budget office, providing a two-way conduit to maintain communications and good relations up and down Pennsylvania Avenue.[178]

One of Obey's main goals is "to make the appropriations process run smoothly." Nita Lowey (D-NY) is the Chairwoman for the Appropriations Subcommittee for State and Foreign Affairs.

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[177] H.Con.Res. 22, 111th Congress, 1st Session.
[178] David Baumann. "At the Top of His Game." *CQ Weekly Online*. (May 18, 2009) : 1142-1151 <http://library.cqpress.com.libezproxy2.syr.edu/cqweekly/weeklyreport111-000003119312 > (accessed May 19, 2009).

John Kerry (D-MA) is the Chairman of the Senate Foreign Relations Committee and, from his recent statement at the Brookings Institute, appears to have a clear want for substantive reform in the foreign assistance process. Daniel Inouye (D-HI) is the Chairman of the Senate Appropriations Committee. CQ Weekly states, that Inouye is likely to be willing to compromise his "expansive agenda" with Obey in the House.[179]

Whether all of these players support a full integration of USAID into DOS is not known at this time; however, they are all either supporters of foreign assistance reform or hold positions which need to be brought into the reform process. In any event, the aforementioned should all be considered key congressional players in any reform efforts proposed during the current Congress.

Incorporate all foreign assistance programs into the Under Secretary for Development Office

Creating an Under Secretary for Development and eliminating the current Director of Foreign Assistance Office begins the creation of a cohesive foreign assistance arm within DOS. An Under Secretary is a bureaucratically powerful figure that is in a better position to lead and manage the development functions now within DOS and those to be included into the Next-Gen DOS. While both the current DFA and the proposed U/F report directly to the Secretary, the DFA has a rank equivalent to a Deputy Secretary.[180] One of the shortcomings of the Rice Reforms was its failure to provide the DFA with equivalent authority among the other functional branches. The rank of Deputy Secretary is higher than Under Secretary; however the creation of the U/F should not be seen as a demotion, but rather a logical step to creating a functional development branch within DOS. Furthermore, creating a U/F will put development on par with Political Affairs, Economic, Business and Agricultural Affairs, and the other four Under Secretary-led functional areas.

To unify the development efforts of the US government, avoid duplication of effort, create a more consistent government-wide policy and allow for sharing of important knowledge, the U/F will coordinate foreign aid programs carried out through other entities within the federal structure. The funding of these foreign aid programs would be approved by the DOS, and be contingent on their cooperation with the U/F. The U/F branch will have a large Bureau of Coordination that will work with and collect information from non-DOS government agencies that carry out development work. The information they collect will include qualitative and quantitative indictors, such as what types of activities are being carried out and how much money is devoted to a certain goal. An information sharing system, such as FACTS, should be put in place to coordinate between these programs.

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[179] Ibid.
[180] US Department of State. Senior Officials. <http://www.state.gov/misc/19232 htm>

Specifically, the Bureau of Coordination will work with the US Trade and Development Agency, Foreign Agriculture Service, the Treasury's Office of Technical Assistance,[181] the Treasury's Office of International Debt Polices and with other offices, departments and agencies whose activities directly impact development. Many of these non-DOS entities have special skills and knowledge bases that are most closely aligned with departments they currently belong to. The activities of the specific groups listed above, however, also have missions closely connected to development and so should coordinate with the principle development arm of the government.

Some government funded development programs have unique features and advantages, which would be lost by integration into DOS at this time. These programs will remain separate from the U/F structure. First, the MCC will remain a separate entity and its programs will be coordinated through the Bureau of Coordination. The MCC's results oriented and private-sector focus, which has been successful on a small scale, would be lost within the larger U/F structure. Second, the African Development Foundation and the Inter-American Foundation, both of which promote development objectives in their respective geographic spheres, will remain federal agencies, but not be integrated into DOS. Like MCC, the unique structures and practices of these relatively small agencies are very different from those of DOS and USAID, especially those of the African Development Foundation. Though full integration in the future may be desirable, at this time, it would create too many problems for these agencies.

Currently USAID carries out much of its development mission through contracting with non-governmental, usually non-profit organizations. This function will now be carried out through the Office of Contract Coordination, which will award and administer contracts. Most likely, this Office will also be responsible for evaluation and monitoring of the contract recipient performance. Over time, however, the grant-giving function of U/F should decline as the staff and capabilities of development personnel increases.

Within DOS, many offices already carry out development-oriented programs. These programs will be brought under the authority of the U/F. The Office of Global AIDS Coordinator, which houses the PEPFAR program, will come under the control of the Under Secretary for Development, but will remain a separate office under the F function. The Office may be consolidated with the Office of Global Health if their functions overlap substantially. DOS' Office of

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[181] "The United States Department of the Treasury, through its Office of Technical Assistance (OTA), provides comprehensive financial advice around the world. OTA's expert advisors work directly with foreign governments to support their efforts to improve their financial systems. A number of these countries are involved in the transition from state-controlled to market-based economies, some are developing nations that are attempting to develop the capacity to better meet the needs of their populations, while others are emerging from periods of internal or external conflict." US Department of the Treasury, Office of Technical Assistance <http://www.ustreas.gov/offices/international-affairs/assistance/>

Development Finance will be put under the authority of F. The Office of the Director of Foreign Assistance, as stated above, would be eliminated as the Office of the Under Secretary for Diplomacy would carry out the same set of functions in addition to an expanded authority. The Office of Stabilization and Reconstruction will be moved to the Development branch; it will be part of the functional Bureau for Democracy, Conflict and Humanitarian Assistance.

Currently, USAID has three "pillar" bureaus that house the main functional expertise to carryout development within the agency. These pillar bureaus will be transferred to the U/F and will make up the core Next-Gen DOS' development capabilities. The bureaus are: the Bureau for Global Health; the Bureau for Economic Growth, Agriculture and Trade; and the Bureau for Democracy, Conflict and Humanitarian Assistance. The Bureau for Democracy, Conflict and Humanitarian Assistance will coordinate with Democracy, Human Rights and Labor (DLR) in the Democracy and Global Affairs branch. At least one member from the Bureau will sit in the DLR office to facilitate coordination.

Regional offices under the Political Affair's Under Secretary are extremely powerful subsections in DOS. To ensure that development is afforded the same consideration as diplomacy, strong ties between U/F entities and regional offices are crucial. The U/F will contain regional coordination offices that correspond with the Political Affair's regional offices. U/F regional offices will retain and build specialized regional and cultural knowledge that will help to make aid delivery more successful. Additionally, these regional offices liaise with their Political counterparts to increase U/F's knowledge of the region and the Political branch's knowledge of development. Ideally, regional development specialist will sit in the same offices as regional political specialists.

The Office of Small and Disadvantaged Business Utilization/Minority Resource Center in USAID will be joined with a pre-existing DOS office that has a similar function. Alternatively, the Office could also be made part of the U/F's Bureau of Coordination.

Lastly, former USAID Offices that have a similar mission to offices currently existing in DOS will be combined. USAID offices such as Legislative Affairs, Human Resources and Office of the Inspector General will be directly combined with their DOS counterparts.

Appropriations for the Office of Development

The Obama administration's FY 2010 budget includes a request for expanded funding of international affairs; an increase of 8%, or $4 billion, over last

year's funding level of $49.8 billion.[182] The augmentation of foreign assistance is intended to provide resources necessary to expand and train the core of FSOs needed to staff and effectively manage civilian operations. In a genuine effort to strengthen development and diplomacy, the budget "puts the US government on the path to double US foreign assistance by 2015 and double the number of USAID FSOs by FY 2012."[183]

The request includes the traditional funding required to support US development and diplomacy operations (Education, Disaster Relief, HIV/AIDS, etc.), but also includes an expansion of civilian training programs that will help ease the transition from military control to civilian control in strategic locations around the world. It includes, for example, a request for $482 million to enhance civilian involvement in Iraq during this period of continued draw down, $980 million for targeted development of civilian institutions in Afghanistan, $497 million to strengthen civilian law enforcement in Pakistan, and $323 million for the Civilian Stabilization Initiative (including expansion of the Civilian Response Corps).[184]

It is evident through the testimony of generals and senior diplomats that an increase in the capacity of civilian FSOs is a necessary next step if the US government is going to strengthen the ability of US diplomats and aid workers to effectively represent the US abroad. Top officials representing DOD, USAID and DOS have persistently testified before congressional committees about the importance of appropriating the necessary funding for the FY 2010 international affairs budget. It is vital that these testimonies continue. Senators Lugar, Leahy, Voinovich, Durbin, Kaufman, Menendez, Dodd, Feinstein, Brown, Sanders, Lieberman, Casey, and Corker have already identified themselves as supportive of the administration's proposal.[185] It is equally important that not only officials from within the executive advocate, but also that members of Congress continue to work together to promote and encourage action from within.

INFORMATION SHARING

Currently, much of the incoherence and discrepancy in foreign assistance programs exists because of poor communication and planning between the various departments. This problem exists both at the DOS internal level and within the US government as a whole. In an effort to reverse this lack of coordination, one part of the 2006 Rice Reforms sanctioned the creation of FACTS and FACTS Info. The two systems, which target separate branches of the aid process, including budgetary

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[182] April 1, 2009: Senator John Kerry from the Senate floor. <http://kerry.senate.gov/cfm/record.cfm?id=310950>

[183] May 20, 2009: Acting USAID Administrator Alonzo Fulgham before the House Appropriations Committee, Subcommittee on State, Foreign Operations, and Related Programs.

[184] April 23, 2009: Secretary Clinton before the House Appropriations Committee on Foreign Policy, subcommittee on State, Foreign Operations, and Related Programs

[185] April 1, 2009: Senator John Kerry from the Senate floor. <http://kerry.senate.gov/cfm/record.cfm?id=310950>

issues, risk management, data reporting and performance planning, have not been as successful as predicted (FACTS has undergone two major re-hauls).[186]

With the creation of the U/F, the persistent use of the FACTS, FACTS Info, or a similar information sharing system will be crucial to achieve uniformity in foreign assistance. Monitoring, evaluation, and performance measurement would all be improved and simplified via a functioning information sharing system. Although information sharing within the offices under the authority of the U/F should be emphasized, the system will be important more as a method to coordinate budgets and assistance programs with other departments outside of DOS. The primary task in making information sharing a reality is the actual use of FACTS, or a similar system, DOS and non-DOS foreign assistance programs. For example, as of May 2009, only DOS and USAID make use of the FACTS and FACTS Info systems, making it much less useful than possible.[187] One of the best ways to encourage the use of an information sharing system would be to make funding conditional on its use. As foreign aid funding will be funneled through the U/F, DOS could work with Congress to mandate the use of such a system.

Advantages and Disadvantages of DOS Absorption of USAID

As with any major reform effort, arguments against the proffered restructuring will be made by its critics. Based on the lessons learned from previous reform efforts, we expect the following cases to be made against the inclusion of USAID into DOS:

- USAID will become marginalized by integration into a huge bureaucracy and they will, thus, be forced to sacrifice their independence;
- Development will become tied to short-term diplomatic goals and foreign aid will become politicized;
- Some will express resistance to the idea that development is a pillar of the national security strategy, rather than an altruistic goal;
- The transition will create a short-term disruption and inefficiency in aid distribution when the US is at a critical juncture in terms of failed states and combating terrorism;
- Push-back from DOD and other departments and agencies that will be mandated to cooperate with DOS and whose funding, in time, may become conditioned upon this coordination;
- Push-back from offices within DOS that would then report to the new U/F, or may eventually be consolidated into a U/F office.

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[186] Government Accountability Office. "Foreign Assistance: State Department Foreign Aid Information Systems Have Improved Change Management Practices but Do Not Follow Risk Management Best Practices." GAO-09-52R November 21, 2008.
[187] Ibid.

The advantages, however, far outweigh these criticisms. Among the benefits of this effort to restructure foreign aid are the following:

- A successful reform will create a cohesive foreign aid policy within DOS by reducing redundancy and ultimately eliminating duplicative positions;
- It will provide for the demilitarization of foreign aid;
- The effort considers the opinions of USAID and other affected agency employees;
- The cohesion necessary to effect this reform will diminish the use of earmarks and provide for a more flexible allocation of resources;
- The newly created Under Secretary of Development creates official responsibility for development that spans all of DOS, rather than being consolidated in a general position, as is the case with the DFA;
- A Next-Gen DOS with a branch for U/F will increase internal DOS networking through shared personnel and space, and will enhance coordination with external entities through information sharing systems and improved cooperation.

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