REVITALIZING DEMOCRACY ASSISTANCE

The Challenge of USAID

Thomas Carothers

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FOR INTERNATIONAL PEACE
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Carnegie Endowment for International Peace
1779 Massachusetts Avenue, NW
Washington, DC 20036
Phone: 202-483-7600
Fax: 202-483-1840
www.CarnegieEndowment.org

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SUMMARY

President Obama and his foreign policy team are only just starting to confront the challenge of reformulating U.S. democracy promotion policy. Crucial to any such effort will be revitalizing democracy assistance, a domain that has expanded greatly over the past 25 years but risks not adapting adequately to meet the challenges of the new landscape of democratic stagnation in the world. As the largest source of U.S. democracy assistance, the United States Agency for International Development (USAID) is a natural starting point for such a process of revitalization.

USAID has a long record of experience in democracy and governance work and of positive contributions to numerous democratic transitions. Yet USAID also exhibits chronic shortcomings in this domain, primarily related to how it operates as an institution. Among the agency's myriad general institutional deficiencies, three problems stand out in relation to its democracy and governance work: punishing bureaucratization that chokes off innovation and flexibility; a high degree of externality in the design and implementation of aid programs and a consequent low degree of local ownership of assistance; and inadequate integration of democracy and governance priorities and capacities within the agency's own institutional structures.

Remedying these shortcomings will require determined, focused leadership at USAID, supported by the State Department, the White House, and Congress. Such leadership will have to demonstrate not just a commitment to the value of democracy and governance work as part of

the overall U.S. development agenda but a willingness to devote significant attention to low-profile but vital issues concerning operational methods and structures. It will also require a willingness to take on the many vested interests that will feel threatened by change. A successful revitalization of USAID's democracy and governance work would be a telling signal that the Obama administration is forging significant institutional changes that will help the United States meet the serious challenges that democracy's uncertain global fortunes now pose.

INTRODUCTION

Among the numerous foreign policy challenges President Barack Obama inherited from his predecessor, reestablishing a credible, effective U.S. approach to promoting democracy abroad is not necessarily the most pressing but is one of the most profound. The new president and his foreign policy team have so far been moving cautiously in this domain. They are not just confronting the challenge of how to recover from the damage to the legitimacy U.S. democracy promotion inflicted during the presidency of George W. Bush. They also are grappling with a basic question that emerged on the U.S. policy table at the end of the Cold War and remains a source of debate: whether in the absence of an overarching ideologically rooted threat from a totalitarian superpower rival, standing up for democracy abroad is just a pleasing, "soft" extra in U.S. foreign policy or whether it is something vital to the achievement of "hard" U.S. interests in a significant number of areas.

This long-standing question underlies the current uncertainty over whether and how President Obama will carve out a credible place for democracy promotion in his larger policy of global diplomatic reengagement, a policy that involves extending an open hand and sometimes a firm embrace to various nondemocratic governments. It also makes itself felt in the sharp debates over whether the new administration is doing enough to find a persuasive, principled balance between respecting human rights and fighting terrorism that will restore America's credibility as a global symbol of democracy and the rule of law.

As President Obama and his team engage at the levels of high-profile diplomacy and law to reformulate U.S. democracy promotion policy, they should not neglect the less visible, quieter side of the democracy support endeavor. This is the domain of democracy assistance, the aid programs that the U.S. government funds to stimulate, facilitate, and help consolidate attempted or ongoing democratic transitions around the world.

Over the past 25 years, the United States has built up a substantial body of democracy assistance and now devotes approximately $2.5 billion a year to it (with about half of the assistance directed at Iraq and Afghanistan). Three organizations serve as the main funders of such aid: the United States Agency for International Development (USAID), the Department of State, and the private, nonprofit National Endowment for Democracy (NED). Beyond USAID and the State Department, several other parts of the government also sponsor assistance programs that include efforts to support democratic institutions and practices abroad, including the Department of Defense, the Millennium Challenge Corporation (MCC), and the Department of Justice.[1] U.S. democracy aid is only one part of a much larger pool of democracy-related assistance emanating from many governments, international organizations, and private foundations. Nevertheless, the weight of the United States as a geopolitical actor and the substantial amount of U.S. funding committed to this area ensure that the United States remains to many people around the world the single most important player in the democracy aid domain.

Although U.S. democracy assistance is playing a valuable role in many places, the overall domain of such assistance is in need of revitalization.

U.S. democracy aid has made and is making many positive contributions to democracy's global fortunes. It contributes to the

strengthening, reform, or empowerment of judiciaries, prosecutors, police, legislatures, local governments, human rights activists, election commissions, election monitors, political parties, independent media, civic educators, anticorruption commissions, labor unions, business associations, citizen advocacy groups, reform-oriented think tanks, and many other actors in more than 100 countries. Such assistance is not a driver of political events, notwithstanding the energetic complaints by the Russian, Iranian, and Venezuelan governments, among others, about putatively Western-manufactured "color revolutions." Rather, it is a helping hand, facilitating the efforts of political societies and systems to reform themselves. It is an invaluable complement to the "high policy" level of democracy promotion, the diplomatic and economic carrots and sticks the U.S. government sometimes employs to encourage democratic reform in other countries. And where the United States does not pursue a pro-democratic "high policy" because of the existence of countervailing U.S. interests, it nevertheless sometimes pursues democracy aid efforts quietly but consistently, with useful long-term effects.

Although U.S. democracy assistance is playing a valuable role in many places, the overall domain of such assistance is in need of revitalization. Like any area of assistance that expands rapidly then goes through an extended period of relative stability, it risks becoming stale. Many established patterns of activity have become entrenched patterns; institutional interests have become vested and resistant to change. The Bush administration maintained, and in some regions and countries increased, the high funding levels of U.S. democracy aid achieved during the late years of the Clinton administration. But senior Bush officials demonstrated only sporadic interest in this "low policy" side of their democracy agenda and never pushed for any broad review or renewal of this domain.

Moreover, democracy assistance is facing a daunting set of broader contextual challenges that intensify the need for revitalization. Most of the current structures and methods for funding and implementing this assistance were developed in the 1980s and 1990s, a time when democracy was spreading rapidly in the world, the international acceptance of cross-border political aid was growing, and the United States enjoyed clear geostrategic hegemony. Those conditions no longer hold. Democracy

promoters face a world today where democracy is largely stagnant (having retreated as much as advanced over the past decade), suspicion of and hostility toward international democracy aid has burgeoned, and the weight of the United States on the international political stage, although still enormous, is not what it was before. The U.S. democracy assistance community has only started to adjust to these profound changes.

Given the complex institutional diversity of the U.S. democracy aid arena, revitalization could proceed in different ways. The administration, together with Congress, could attempt to restructure the overall institutional landscape in one sweeping effort. Or it could proceed more modestly, focusing on one institution at a time, examining what it does well and what it does not, and then undertaking needed reforms. Whichever approach it chooses, addressing the challenge of strengthening USAID's democracy work will be crucial given that USAID is by far the largest U.S. funder of democracy assistance. Although definite budget figures are elusive, in terms of basic orders of magnitude, USAID's spending on such programs in 2008 was in the neighborhood of $1.5 billion a year while the State Department's spending was around $500 million (with over half of that being for democracy programs in Iraq) and NED's was a little over $100 million.[2]

It is a particularly good time to give attention to revitalizing USAID's democracy work because for the first time in many years both the Congress and the executive branch are seriously interested in reforming USAID overall. The House and Senate are at work rewriting the underlying legal basis for U.S. foreign assistance, a rewrite that will undoubtedly mean substantial changes for USAID. In July, the State Department announced it would institute, for the first time, a Quadrennial Diplomacy and Development Review. In August, President Obama signed a first-ever Presidential Study Directive on U.S. development policy. These two review exercises will likely provide impetus for potentially significant reforms of different parts of the U.S. foreign assistance machinery, including USAID. Efforts to overhaul and transform USAID, if successful, will entail general institutional changes that would likely improve USAID's democracy work. Yet the community of governmental and nongovernmental actors most closely engaged in foreign assistance reform tends to come to that task with a primary focus on and

knowledge of socioeconomic development and humanitarian assistance. Few are experts in democracy promotion. Consequently, reform debates often neglect that part of the assistance sphere.

As a complement to these larger aid reform endeavors, it is important to examine USAID's democracy work and identify ways to strengthen it. This report seeks to do that. Debates in Washington over USAID's role in democracy support often center around how much money it is devoting to such efforts, and on what countries USAID is spending the money. Although spending levels and geographic allocations are certainly important, a crucial prior issue is how effectively the organization handles the funds it devotes to the task. If the aid is ineffectively delivered, increasing it will not make much difference. Therefore, after presenting an overview of USAID's democracy work, including a thumbnail sketch of its evolution from the 1980s to the present, this report seeks to pinpoint key problems with how USAID functions in the democracy support domain. It then considers both moderate and more radical options for remedying the problems.

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A BRIEF HISTORY AND OVERVIEW OF USAID'S DEMOCRACY ASSISTANCE

GROWTH AND STAGNATION

Although USAID engaged in some limited political development assistance in the 1960s and 1970s, the main origins of its current work supporting democracy are in the 1980s. As part of President Ronald Reagan's stated emphasis on democracy promotion in his forceful policy of countering the Soviet Union—an emphasis that was sometimes substantive and sometimes only a rhetorical wrapping for other goals—the administration and Congress encouraged the establishment of public diplomacy and foreign assistance initiatives related to spreading democracy abroad. The establishment of the National Endowment for Democracy and its four core grantees—the International Republican Institute (IRI), the National Democratic Institute (NDI), the Center for International Private Enterprise (CIPE), and the American Center for International Labor Solidarity (ACILS)—in 1983–1984 was the most visible institutional result of this new emphasis. At USAID, the Reagan push led to the establishment in 1985 of an office in the Bureau for Latin America and the Caribbean dedicated to democracy assistance. The first such office

of its type at the agency, it brought together some small, scattered existing programs and generated a rapidly expanding portfolio of new democracy support efforts. By 1989 the office had spent close to $100 million on democracy programs, primarily focused on human rights and democratic participation, rule of law reform, and elections.

This initial line of democracy programming at USAID in the 1980s was principally confined to Latin America, except for some small-scale experimentation with such work in Asia. In the 1990s, however, this narrow stream became a much wider river. The startlingly rapid, far-reaching spread of authoritarian collapse and attempted democratic transitions in those years, in Central and Eastern Europe, the former Soviet Union, sub-Saharan Africa, and South, Southeast, and East Asia, pushed U.S. and other Western policy makers to quickly expand assistance to support the trend. USAID embraced this new zeitgeist, announcing a global "Democracy Initiative" in 1990 and publishing its first major policy paper on the subject the next year.

The forward movement on democracy at USAID accelerated during the Clinton years. J. Brian Atwood, a person with deep experience in and commitment to democracy promotion (he served as the first president of NDI), became head of USAID in 1993. He and his team took an important series of steps to start institutionalizing political aid in an agency traditionally rooted in socioeconomic development by:

- **Incorporating democracy and governance support** as one of the agency's four core official "pillars";
- **Creating a Center for Democracy and Governance** in the agency's new Global Bureau to serve as a center of expertise on the subject within the agency;
- **Setting up a cadre of officers** specializing in democracy and governance work;
- **Establishing a program office,** the Office of Transition Initiatives, to provide fast-disbursing assistance in rapidly evolving political transition contexts; and

- **Commissioning a series of major studies** to cull lessons learned from USAID's democracy programming to date.

USAID's spending on democracy and governance programs ballooned in these years, from $165 million in 1991 to $635 million by 1999. The funding was widely distributed to all regions where USAID operates. The 1999 regional breakdown of democracy and governance spending, for example, was $288 million in Central and Eastern Europe and the former Soviet Union; $123 million in sub-Saharan Africa; $111 million in Asia and the Middle East (at the time USAID combined these regions in one bureau); $86 million in Latin America; and $27 million on global programs.

By the late Bush years, despite President Bush's rhetorical emphasis on a global "freedom agenda," the agency had no senior-level officials fully focused on democracy issues.

This momentum at USAID on democracy and governance aid stagnated during the years of George W. Bush's presidency. USAID continued to be significantly engaged in such aid throughout those years. Funding levels increased substantially, although most of the increase was due to spending on Iraq and Afghanistan. For most other parts of the world funding was little changed. The institutionalization of such assistance within the agency, however, languished, as part of a broader negative drift of the agency as a whole. President Bush and his senior foreign policy team had little respect for or interest in USAID, believing it to be an irremediably slow-moving preserve of possibly well-intentioned but ultimately feckless bureaucrats. Although they expanded U.S. development assistance, they largely went around and outside USAID for their important developmental initiatives, such as the U.S. President's Emergency Plan for AIDS Relief (PEPFAR) and the Millennium Challenge Corporation. The only significant exception was the Development Leadership Initiative, an undertaking to

hire several hundred new USAID officers over a several year period, which they established in 2008. When they did bolster democracy aid, they often favored augmenting the State Department's role, such as through the expansion of aid funds managed by the Bureau of Democracy, Human Rights, and Labor and the establishment of the Middle East Partnership Initiative in the Department's Bureau of Near Eastern Affairs.

As part of a larger reorganization of USAID in 2002, the Center for Democracy and Governance was downgraded from a "center" to an "office," not a huge change, but a sign of the lack of high-level commitment to furthering the democracy agenda within USAID. Moreover, the office was moved to a different bureau, where it was a poor fit, overshadowed by humanitarian aid and other priority issues. Furthermore, the office was taken out of the loop in reviewing country plans relating to democracy and governance, which reduced its weight in the bureaucracy. Training for democracy and governance officers largely stopped in the middle of the decade, as part of a damaging general reduction of training at the agency. Elimination of the agency's policy bureau in 2006, a consequence of the administration's move to put USAID fully under State Department direction, hobbled the agency's capacity to contribute on democracy and governance issues in interagency policy processes. By the late Bush years, despite President Bush's rhetorical emphasis on a global "freedom agenda," the agency had no senior-level officials fully focused on democracy issues. Democracy and governance specialists in the Office of Democracy and Governance continued to carry out important studies and push the agency to deepen its thinking on democracy and governance work. They did so, however, without a matching prioritization on democracy work by the agency's senior leadership.

THE CURRENT PORTFOLIO

USAID's democracy and governance work today covers a broad range of activities, spanning what has become a common template of such assistance in the broader donor community. USAID organizes this assistance in four categories:

- **Rule of law:** increasing democratic legal authority, guaranteeing rights and the democratic process, and providing justice as a service;
- **Governance:** promoting anticorruption, democratic governance of the security sector, decentralization, strengthened legislative functioning, and better public sector performance;
- **Civil society:** mobilizing constituencies for reform, strengthening democratic political culture, media development, democratic labor movements, and legal enabling environments for civil society development;
- **Elections and political processes:** supporting free and fair elections, democratic political parties, and democratic consensus building.

USAID distributes its assistance among these categories in a relatively balanced way. Contrary to what some observers often assume, USAID

does not give predominant attention to elections in its democracy and governance work. During most of the last twenty years, in fact, the agency has spent less on the elections category than on any of the other three categories.

USAID distributes its democracy and governance assistance quite widely around the world, currently reaching more than 80 countries. Democracy and governance aid follows the pattern of the distribution of U.S. foreign assistance generally: a small number of strategically important countries, such as Iraq, Pakistan, Afghanistan, Sudan, and Egypt, receive very large sums of such assistance, while most others receive relatively modest sums. The average USAID democracy and governance country program outside of these priority countries is less than $5 million a year.

As with most USAID assistance, the great majority of the agency's democracy and governance work is conceived and managed in its field missions around the world, rather than in Washington. Missions channel aid dollars to a large array of implementing or partner organizations that, with substantial field mission oversight and sometimes direction, design, implement, and evaluate democracy and governance projects. These organizations, primarily U.S. groups (only a small percentage of USAID funds go directly to organizations in aid-receiving countries), are a mix of types: for-profit development consulting firms, nonprofit development consulting firms, and nonprofit organizations (sometimes referred to as "mission-based organizations") that specialize in one or more areas of democracy and governance work. USAID disburses approximately half of its democracy and governance funds through contracts (with for-profit and nonprofit consulting firms serving as the main contractors). The other half is disbursed through grants (primarily to nonprofit consulting firms and the nonprofit, mission-based democracy aid groups).

Several offices at USAID/Washington also contribute to the agency's democracy and governance work. The Office of Democracy and Governance, which has a staff of approximately 60, provides technical assistance to the missions on democracy and governance programming, carries out evaluations and other analytic work, and oversees several congressional earmarks for democracy work in the range of $5 million to $20 million each. The Office of Transition Initiatives is a program office

that carries out a wide range of assistance, some of it relating to democracy and governance, in urgent politically transitional contexts. The Office of Conflict Mitigation and Management provides technical assistance on conflict-related programming, which often intersects with democracy and governance issues.

USAID'S TROUBLES

A CRITICAL CHORUS

USAID is a major actor in the field of democracy support. It moved into this domain before most other bilateral aid agencies and has accumulated considerable experience and expertise in many elements of such work. USAID's significant investment over the years in many different parts of the democracy aid domain—from electoral aid, judicial reform, and legislative strengthening to media development, civic education, and civic advocacy—has been influential in encouraging other donors to enter these areas and facilitating advances in them. USAID's willingness and ability in some politically transitional contexts to fund programs in multiple, mutually reinforcing areas of democracy and governance, and to sustain such funding over time, have helped it make recognized contributions to processes of democratic change.

At the same time, however, it is impossible when working in the world of international democracy and governance assistance to ignore the fact that USAID's reputation in this domain is very mixed. Although many people working on democracy support recognize USAID's important role, they hold deeply negative views about basic features of USAID's democracy and governance work. These criticisms tend not to focus on the types of programs that USAID sponsors relating to democracy and governance or on the agency's analytic frameworks guiding such assistance. They center instead on the agency's core organizational methods and

institutional culture—in short, *how* USAID does what it does. Such views are strikingly prevalent throughout the circles of people who work with or around the agency—in other U.S. government agencies, in the main implementing or partner organizations that receive USAID funds, in aid organizations from other countries that work alongside USAID in the field, and among people from aid-receiving countries who have direct contact with the agency. Even within the agency itself, among the officers who work on democracy and governance programs, significant dissatisfaction exists over basic features of USAID's methods.

Where USAID moves nimbly and effectively in the democracy and governance domain, it does so more in spite of its basic operational systems for such work than because of them.

A core set of complaints emerges from this diverse critical chorus: that USAID's democracy and governance work suffers badly from inflexibility and rigidity; is slow, overly bureaucratic, and often mechanistic; lacks innovation and frequently relies on cookie-cutter approaches; conforms more to Washington demands or designs than to local realities; and tends to be bloated in country contexts that are already swimming in aid resources yet paltry in places starved for assistance. People or organizations that receive funds from USAID speak with remarkable consistency and intensity about an organizational culture of distrust at the agency—a systematic distrust of all recipients of USAID's assistance that is woven into the basic bureaucratic workings of the agency and that kills both the spirit and practice of genuine developmental partnerships.

Even discounting this broad critical chorus somewhat to take account of institutional rivalries and the normal grousing that assistance inevitably provokes, it is painfully clear that serious problems exist with regard to

USAID's basic methods of operating in the democracy and governance sphere. These problems lead to numerous failings on the ground—programs that fail to connect to any viable local processes of change, do not adapt to rapidly changing circumstances, are imported from one national context and are mechanistically and fruitlessly applied to another; that sound good to distant program managers but make little sense to those actually engaged; that do not incorporate evident lessons from past efforts; that produce "good numbers" but have little real impact; and that end just as important relationships have been solidified and crucial local knowledge gained.

Although participants in and observers of USAID's democracy and governance activities habitually offer serious, even devastating critiques of the agency's methods of operating, they do acknowledge that USAID sometimes performs well. They describe situations where USAID chose good areas on which to focus, got its assistance flowing in a timely fashion, and ended up supporting valuable elements of a democratization process. Yet when one asks for more details about such cases, it is striking that the successes appear due to particular, enterprising USAID officers who through their own determination, talent, and energy were able to work around the constraints of the existing system to make the aid work well. In other words, where USAID moves nimbly and effectively in the democracy and governance domain, which it certainly sometimes does, it does so more in spite of its basic operational systems for such work than because of them.

Some of the analytic and evaluative work produced by the Office of Democracy and Governance and the Office of Conflict Mitigation and Management commands interest and respect within the wider democracy assistance community. Yet such work radiates out only very partially from the center to the field because of the decentralized nature of USAID and the ingrained nature of some of its operational problems. The result is that the genuine sophistication that is achieved in these and other pockets of innovation and excellence within the institution is often not reflected in the quality of the day-to-day programming in the field.

CAUSES

The causes of USAID's troubled performance in the democracy and governance field are hardly mysterious. They are part and parcel of the debilitating institutional deficiencies that plague the agency as a whole. As is unfortunately all too well-known, over the last two decades USAID has sunk to a low state—dysfunctional in fundamental ways, demoralized internally, marginalized within the U.S. government, and disrespected in many quarters at home and abroad. This deterioration is the result of an interlocking series of basic ills, including but not limited to:

- **An unproductive relationship** with Congress that involves, among other things, excessive budgetary earmarking, onerous reporting practices, episodic interest and support, and deep-seated mutual distrust;
- **An uneasy and often tense relationship** with the State Department (both before and after the 2006 reorganization putting USAID more fully under State Department direction) in the field and in Washington;
- **The lack of a clear, stable development mandate;** instead, shifting priorities, often imposed from outside the agency;
- **Repeated bouts of weak leadership;**
- **A badly outdated legislative foundation** for foreign assistance consisting of a 48-year-old original law overlaid with multiple amendments, often overlapping or contradictory;
- **Requirements for tying aid** (requiring that aid funds be spent on U.S. goods and services) that inflate costs, undercut local ownership, and lessen impact;
- **A long-running pattern of outsourcing** the substantive side of USAID's work to contractors and reducing the technical capacities of the agency itself, resulting in a hollowed-out organization more preoccupied with

administration and management than the substance of development work;

- **Rigid, insensitive internal human resources practices** that have contributed significantly to a serious depletion of the agency's human capital; and
- **Custodianship of major aid relationships** between the United States and various key security partners in which assistance is treated not as a serious developmental engagement but rather a reward for strategic loyalty.

Many of these overarching maladies hurt the agency's democracy and governance work in one way or another. The heavy congressional earmarking of USAID's budget, for example, tends to favor certain socioeconomic issues, such as child health or education, resulting in a relatively small pool of non-earmarked funds from which democracy and governance programs can draw. The agency's abysmal human resources practices militate against attracting or keeping the best and brightest in the ranks of the agency to work on democracy and governance programs. The tensions between USAID and the State Department sometimes result in blockages or lack of clear direction.

It is useful to identify a more specific agenda of reforms that are crucial to improve the agency's democracy and governance aid even if a full institutional transformation remains unachieved.

Thus, a prescription for improving USAID's democracy and governance work could simply be the general admonition to "fix the whole place, from top to bottom." Although accurate in some sense, such

a prescription is less helpful than it might be. It does not identify which of USAID's many institutional problems are responsible for the main shortcomings of the agency's democracy and governance work, leaving open the possibility that a general overhaul of the organization might not give enough attention to those specific problems. Moreover, there is no guarantee that the Obama administration and Congress, no matter how well intentioned, will in fact manage to transform USAID into a sparkling, cutting-edge, highly effective and efficient aid agency. Given that, it is useful to identify a more specific agenda of reforms that are crucial to improve the agency's democracy and governance aid even if a full institutional transformation remains unachieved.

Within USAID's general institutional malaise, three issues of special concern stand out for its democracy and governance work. One is the crushing bureaucratization that suffocates how the agency commits, implements, and evaluates its assistance programming. Another is the externality and lack of ownership that mark the basic operational methods the agency uses for much of its democracy and governance work. The third is the inadequate place that the agency accords democracy and governance work within its own institutional structures, that is, the questionable degree to which the agency actually accepts democracy and governance work as one of its core priorities.

BUREAUCRATIZATION

USAID's basic operating procedures—a term used here as shorthand for the rules, regulations, and procedures that underpin the agency's programming—are a major cause of the lamentable patterns of inflexibility, cumbersomeness, lack of innovation, and mechanical application that hobble much of its democracy and governance work. These basic operating procedures are a study in dysfunctional bureaucratization. Some career professionals at the agency liken them to an enormous accumulation of barnacles on the hull of a ship. They are attached one by one over the years by Congress or the agency itself in response to some particular incident or concern, but then they are never removed or rationalized over time, and the accumulated mass threatens to eventually sink the ship.

These basic operating procedures are much more intrusive and constraining than just "normal" government bureaucracy. They reflect years of trying to spend billions of U.S. taxpayer dollars on assistance programs carried out in difficult foreign contexts under the constant fear that even a scrap of evidence that any money has been misspent will trigger howls of righteous protest in Congress. Over time this pressure produces an institutional culture of paralyzing risk avoidance, leading to ponderous controls and deadening requirements, as well as the pervasive mistrust noted above between the agency and the recipients of its funding.

The highly problematic nature of USAID's basic operating procedures manifests itself at every stage of programming. The work involved in preparing requests for proposals or requests for assistance and then negotiating and finalizing contracts or grants is extremely burdensome. It greatly slows the development of new programs, encourages the use of cookie-cutter approaches that have already paved a path through the procurement jungle, and limits the number and range of organizations that compete for and take part in the assistance programs.

The procedures relating to the implementation of programs are similarly troublesome. USAID's implementing partners reserve some of their harshest criticism for this part of the assistance process. They describe the role of USAID officers overseeing their programs as often being petty, unhelpful micromanagement in service of a thicket of regulatory and procedural complexities that make even simple actions, like hiring a short-term consultant or arranging a training seminar, slow and difficult. They lament that basic elements of the implementation process make it a struggle to be nimble, to innovate as learning occurs, or to adapt easily when basic circumstances change.

The "performance management plans" that USAID requires for its programs compound the headaches of implementation. These systems set up performance indicators that implementing organizations are supposed to meet across the life of a project. Spurred by the passage of the Government Performance and Results Act of 1993, which required federal agencies to develop and report on quantifiable performance indicators, USAID began in the mid-1990s saddling its programs with quantifiable and often mechanistic and reductionistic indicators. These

indicators primarily count outputs (such as the number of people trained) rather than assessing outcomes (like how much knowledge a training program transmits and how recipients put that knowledge to use). Such indicators create special problems for democracy and governance programs. Counting outputs in a vaccination or a schoolbook project may be somewhat meaningful; doing so in political programs is usually much less so. Defining the goals of a political party assistance program, for example, or a legislative strengthening program, or other similar political programs in simple quantifiable terms usually does considerable damage to the actual nature of the challenges and objectives involved.

Basic elements of the implementation process make it a struggle to be nimble, to innovate as learning occurs, or to adapt easily when basic circumstances change.

Faced with strenuous pushback from partner organizations unhappy about the application of such indicators to democracy and governance programs, USAID pulled back at least partially in the late 1990s and early years of this decade, permitting the use of more nuanced, qualitative performance monitoring indicators. Unfortunately, however, the establishment in 2006 of the "F Process" (the setting up of a centralized budget tracking system for all U.S. foreign assistance, overseen by a director of foreign assistance at the State Department), set the situation back considerably. The F Process imposes a strictly defined set of quantifiable standardized indicators on all assistance programs, embodying the most simplistic forms of output counting. Although USAID is allowed to use its own customized indicators for its democracy and governance programs, it can do so only as a supplement to the standardized F process indicators. The problem thus remains of simplistic, mechanistic indicators encouraging program implementation that is driven by the imperative of "meeting the numbers" rather than doing what is necessary to produce meaningful results.[3]

Problematic procedures also affect the final phase of assistance programming, the evaluation phase. USAID evaluates most of its democracy and governance programs, but it does so following flawed procedures.[4] To carry out an evaluation, USAID usually hires one of the consulting firms that also design and implement democracy and governance programs. This system creates obvious conflicts of interest. Firms that compete with each other in bidding on projects end up evaluating rival firms' work. Moreover, when such firms carry out evaluations, they feel a strong incentive to produce evaluations that will please the USAID officer who commissioned the evaluation, given that they might end up coming to that officer in the future to bid on a contract.

In addition, these evaluations usually follow a superficial methodology. A small team of experts, almost always led by an expatriate who flies in to the country for a few weeks for the assignment, interviews some people who were involved in the project, usually working from a list of names primarily put together by the USAID officer who oversaw the project and thus has a personal stake in a positive evaluation. Evaluations are performed right after projects are completed, and so they do not provide much insight about whether any positive effects of the project will last much beyond the life of the project itself. Whatever learning an evaluation does produce tends to stay within the USAID mission that commissioned it because no good system exists for distilling and disseminating such learning widely within the agency, or outside it.[5]

EXTERNALITY AND OWNERSHIP

A second key problem for USAID's democracy and governance work also rooted in its basic operating procedures is the externality of the assistance and the consequent lack of local ownership. Externality refers to the dominant role of external actors (external to the country toward which the assistance is directed) in every stage of the aid process. For most projects, the USAID mission brings in a U.S. organization to design the project. The mission then hires another U.S. organization to implement the project. At the end of the project, it hires yet another U.S. organization to evaluate the project.

During the design phase, of course, the U.S. organization carrying out the work consults with people in the recipient country. The U.S. implementing organization normally works with various local actors. The U.S. evaluators will base many of their findings on information gathered from people within the country. Yet despite these local consultations and participation, by far the greatest weight of control throughout the assistance process remains on the U.S. side. Moreover, USAID habitually seeks to exert substantial control over defining what the projects will do and how they will do it. This is especially true in contracts-based assistance. USAID contracts usually specify precisely what the U.S. contracting partners are to do at every step of the way throughout a project. Yet it is also an issue with at least some USAID grants (which often take the form of "cooperative agreements"), with USAID setting out detailed specifications for work to be performed under the grant. It is striking when talking with USAID officers and many of their implementing partners about democracy and governance programs to note how frequently they refer to "our goals" and "our successes," with the "our" referring only to themselves, rather than to people in the host countries.

This systematic externality of the assistance process creates endemic problems of ownership. Obviously enough, when outsiders come to a society, decide what areas they wish to assist, design the projects, implement the projects, and eventually evaluate them, the recipient society is unlikely to feel a strong sense of ownership about the work. Yet perhaps the single most widely agreed-upon "best practice" in the international assistance world is the importance of doing everything possible to nurture local ownership of assistance.[6] Such ownership is vital to all areas of development assistance but is especially crucial in democracy and governance work given the special sensitivities surrounding political interventionism across borders. If people in a country struggling to reform its political system perceive that sensitive endeavors such as strengthening political parties, revamping democratic civic education, or reforming the legislature are the work of outside actors (especially foreign governments with significant geopolitical interests), the legitimacy of such efforts will be questioned.

Just to make vivid the extraordinary externality of the USAID contract-based project method, consider a recent USAID "Request

for Task Order Proposal" for work on legislative strengthening and decentralization in the Democratic Republic of the Congo (DRC). The request sets out some of the performance results that the U.S. implementing organization will be required to produce ("all indicators are mandatory"). Among the many specified results are a whole series of particular actions by the DRC government (at both the national and provincial levels) that the U.S. implementer is supposed to make happen, including the following:

- "30 public forums resulting from the USG assistance";
- "80 public forums resulting from USG assistance in which provincial legislatures and members of the public interact";
- "7 laws or amendments promoting decentralization drafted with USG assistance";
- "12 national executive oversight actions, such as special investigative committees or public hearings taken by legislatures receiving USG assistance";
- "8 provincial executive actions taken by legislatures receiving USG assistance";
- "20 draft laws accompanied by technical analysis and subject to review by legislative committees receiving USG assistance."[7]

Leaving aside the surreal specificity of outcomes that USAID insists on in a country roiled by profound instability, the assumption of U.S. directiveness regarding the country's own domestic political agenda is breathtaking.

Adding a dispiriting accent to the externality of USAID's basic methods is its requirement of branding. As part of its effort to assure Congress that USAID is doing all it can to try to use its funds to win over foreign hearts and minds, USAID requires its implementing partners to brand USAID-funded activities with a USAID stamp. This may mean, for example, a public ribbon-cutting ceremony with the U.S. ambassador present to launch a project with a national parliament. Or it might mean

displaying USAID signage at a training seminar for judges or affixing the USAID logo to materials published under a civic education program. This requirement underscores the lack of local ownership in USAID's assistance activities while also undercutting efforts to keep a low U.S. profile on political assistance programs touching on sensitive areas. Some implementing organizations have managed to get exceptions from the branding requirement for certain activities. Yet an effort several years back from within USAID to obtain a blanket exemption from branding for democracy and governance programs was unsuccessful, and the requirement remains in place.

Integrating political assistance into an aid agency traditionally devoted to socioeconomic development is never simple. This is true not just of USAID but of all bilateral aid agencies.

WEAK PLACE WITHIN THE AGENCY

An additional core issue hurting USAID's democracy and governance work is the weak place of such work within the agency itself. Integrating political assistance into an aid agency traditionally devoted to socioeconomic development is never simple. This is true not just for USAID but also for all the other bilateral aid agencies that have confronted the same issue. Most organizations resist integrating political work, either passively or actively, for several reasons. First, they hesitate because political aid is an unfamiliar domain, requiring new types of expertise. Second, many traditional developmentalists remain unconvinced that gains on democratization will necessarily contribute to socioeconomic development, which they view as their core objective. They resist pushes to expand the definition of development to incorporate political elements, such as freedom, alongside the well-established socioeconomic elements.

Third, they fear that engaging in sensitive political matters will upset host governments and thereby jeopardize the friendly relationships they need with those governments to carry out their socioeconomic assistance work.

In its 1990 "Democracy Initiative," USAID articulated the goal of fully integrating democracy work into its overall agenda: "Changing the way A.I.D. officers approach their jobs, and bringing the linkage between democracy and economic development into the heart of our work, will be the most enduring, long-term contribution of this initiative."[8] Yet almost two decades later, many people within the U.S. democracy assistance community believe that USAID still falls short in this regard, that democracy and governance work remains a disfavored stepchild in an agency whose heart remains wedded primarily to socioeconomic work. This is not about the amount of money that USAID spends on democracy and governance work relative to other areas. It is about the institutional commitment to taking this work as seriously as the traditional core areas of USAID's agenda. Some of the trouble signs include:

- **None of the last four** USAID administrators had any background or apparent strong interest in democracy-related assistance. Nor (with the exception of the last administrator, Henrietta Fore) did they give evidence of the growth of such an interest while on the job. Given how important signals from the top are in influencing the agency's agenda in the field, the lack of impetus from the top on democracy issues has been significant;
- **The senior level** of career professionals at USAID—the mission directors and top Washington-based career slots—is dominated by people who rose within the organization through socioeconomic assistance work. Only a small number have a primary background in democracy and governance work;
- **Democracy and governance programs** are housed within a bureau (the Bureau for Democracy, Conflict, and Humanitarian Assistance, or DCHA) that is primarily devoted to other issues which have been

receiving much more attention from USAID's leadership;

- **The Office of Democracy and Governance** (within the DCHA bureau) is relatively low on the overall organizational ladder;
- **The democracy and governance "cadre"** has not been strongly supported institutionally. Democracy and governance positions are too often filled by contractors or individuals from outside the cadre;
- **Training for democracy and governance officers** has been weak until recently. Training of other USAID officers on democracy and governance issues has also been weak;
- **Integrating democracy and governance perspectives** and approaches into other substantive areas of USAID's work has not been strongly pursued. Most democracy and governance programming takes place within stovepiped strategic objectives, without significant integration into other programmatic areas;
- **USAID punches below its weight** in interagency policy-making processes relating to democracy and governance issues.

In short, significant issues concerning leadership and organizational arrangements explain why serious doubts remain about the depth of USAID's commitment to democracy and governance work despite significant amounts of spending on such work by the agency over many years.

NECESSARY REFORMS

Whether as part of a complete overhaul of USAID, or as a more specific reform effort, the Obama administration and Congress should address the issues that lie at the heart of USAID's weaknesses on democracy and governance work—curing the stifling bureaucratization, reducing the externality and lack of ownership, and bolstering the institutional place of such work.

DE-BUREAUCRATIZATION

Significantly reducing the bureaucratization that does so much harm to USAID's democracy and governance work is no small task. Although some of the bureaucratization is specific to the democracy and governance domain, most of it afflicts USAID's assistance generally. In other words, it is a core characteristic that can be changed only by fundamental reforms. It is deeply rooted in years of accumulated practice and labyrinthine regulations and rules. More broadly, it is the long-term product of a deeply entrenched skepticism in the United States about foreign assistance, a skepticism present in a wide swath of the U.S. policy community. This outlook instinctively questions the value of the overall enterprise and insists that only heavy top-down controls (which have the effect of suffocating flexibility, innovation, and local participation in the aid process) can keep aid from going awry.

Yet doing better is not impossible. Recognition of the problem of USAID's excessive bureaucratization is widespread both around and within USAID. Given a genuine opportunity, many current and former USAID officials would welcome the chance to use their inside knowledge to pinpoint problems and suggest needed reforms. The positive experience of the Office of Transition Initiatives shows that a determined effort to streamline procedures can work. Although the Millennium Challenge Corporation has faced problems in implementing its assistance and relies on USAID for some parts of the implementation process, it has nevertheless demonstrated that a U.S. agency can operate in the foreign aid domain in genuinely different ways, avoiding at least some elements of the heavy bureaucratization of aid. Bilateral aid agencies in other countries where public concern about waste and fraud is high manage to operate in very different ways. For example, whereas USAID spends a large majority of its funds in the United States (giving it to U.S. organizations that use it to work abroad), the United Kingdom's highly respected Department for International Development spends the bulk of its assistance directly in the recipient countries themselves.

A process of de-bureaucratization can come about only if USAID's leadership decides to make it a central priority and is able to forge a productive partnership with Congress.

A far-reaching process of de-bureaucratization would involve a review of every step of the assistance process, with special focus on the phases of procurement, implementation, and evaluation, aimed at finding ways at every step to streamline procedures and increase flexibility, speed, adaptability, and innovation. Any simplification of USAID's basic procedures would likely trigger alarm in some quarters that the guiding

principle of full and open competition might be compromised. Yet it is crucial to understand that other bilateral aid agencies (as well as other parts of the U.S. government) are able to operate in accordance with this principle without all of the numbing bureaucratic procedures and requirements that suffocate USAID's work.

Given the complexity of the overall assistance process, it is not possible here to set out a detailed list of necessary changes. A few illustrative examples include:

- **Overhauling the procurement process** to make it less cumbersome to put out requests for proposals, bid on requests, select among competing proposals, and finalize agreements;
- **Reducing the layers of management** and oversight between USAID headquarters in Washington and USAID field missions that clog up the implementation process;
- **Reducing the chronically burdensome reporting requirements** that soak up so much of program implementers' time;
- **Easing up on the restrictions** that make it extremely difficult for USAID officers to have meetings or conversations with anyone from an implementing or partner organization other than strictly formal meetings directly related to project implementation;
- **Improving the evaluation process** by expanding the capacity of the Office of Democracy and Governance to carry out evaluations, research, and learning exercises to the point it can bring in-house many of the regular project evaluations and take responsibility for sharing inside and outside the agency lessons learned from these evaluations.

Such a process of de-bureaucratization can come about only if USAID's leadership decides to make it a central priority and is able to

forge a productive partnership with Congress in the effort. Only strong, sustained leadership on this issue can give rank-and-file USAID officers the space and protection necessary to change the agency's risk-averse, obsessively self-protective ways. Making de-bureaucratization a leadership priority is hard both because USAID's senior leaders naturally tend to focus on more high-profile matters such as fighting to preserve or increase USAID's budget and settling on the agency's strategic priorities and also because de-bureaucratization entails the risk of being accused of increasing the possibility of waste and fraud.

It will be crucial, therefore, for the new USAID leadership in the Obama administration to understand how this relatively low profile and also possibly risky issue is in fact fundamental to revitalizing the agency. And it will be equally crucial for those at the State Department, White House, and Congress who hold the keys to USAID's future to avoid the almost automatic tendency to think that stricter controls, more regulations, and tighter procedures will yield better performance by USAID. The application of such thinking to USAID again and again over the years is precisely what has led to the bureaucratization responsible for its troubled performance. All those concerned with making the agency perform better in its democracy and governance work—and in fact in all its assistance—must embrace the idea that they will be happier with the outcome of USAID's efforts if they ease up on the levers of control and allow the agency greater flexibility and independence.

REDUCING EXTERNALITY AND INCREASING LOCAL OWNERSHIP

Reform of USAID's basic operating procedures in its democracy and governance work should also focus on reducing aid externality and increasing local ownership. Reducing the externality of USAID's work does not necessarily mean channeling assistance funds directly to organizations and people within aid-receiving countries rather than primarily to or through U.S. implementing or partner organizations, although such a shift may be part of such an effort. U.S. organizations often play useful roles in carrying out democracy and governance assistance. Some of them bring to

the work considerable expertise, whether in political party development, human rights activism, democratic civic education, or other parts of the democratization challenge. They also have experience in nurturing local organizations or activists working on democracy and governance issues and helping to capacitate and empower them over time. Moreover, having U.S. implementing or partner organizations in between USAID and an aid-receiving country lessens the direct hand and image of the U.S. government in what is often politically sensitive work. To cite just one example, it would likely be less politically sensitive for the IFES (the International Foundation for Electoral Systems), an organization with a decades-old reputation as a high-quality, politically neutral provider of technical electoral assistance, to sponsor a training seminar for electoral commissioners in a highly polarized political context than for USAID itself to directly sponsor such an event.

The very notion of attempting to support processes of political change in other countries through extremely detailed, fixed-term, technically oriented contracts is highly questionable.

Some increase in direct USAID funding to local organizations should be explored, as discussed below, but reducing externality and increasing local ownership is much more about changing how USAID works with U.S. partners and implementers. It is about creating assistance mechanisms that encourage and allow U.S. organizations to create real partnerships with local actors, in which the local actors have a substantial and sustained say in what the goals will be and what methods will be employed to achieve them. One important political area of potential reform in this vein is the whole domain of contracting. The very notion of attempting to support processes of political change in other countries—processes that are by nature unpredictable, highly specific to the local context, and the result

of usually harshly contending local political beliefs, interests, and actors—through extremely detailed, fixed-term, technically oriented, contracts in which U.S. implementing organizations provide a predefined list of "services" to USAID is highly questionable.

At a minimum USAID should attempt to open up its contracting methods in various ways. It should try to move away from contracts that set out detailed work plans in which the U.S. organization promises to ensure that very specific political actions will occur in the host country by specific dates and instead encourage the pursuit of progress in a series of agreed areas according to mutual principles and values. It should revise project oversight to match movement away from mechanistic contract arrangements—reducing the use of reductionistic output-based performance indicators and reshaping oversight as constructive partnership rather than intrusive micromanagement.

USAID should apply the same approach to its grantmaking methods, avoiding any tendency toward greater prior specification of project methods and content. In both its contracts and grants USAID should aim to reward organizations that show a genuine commitment to working in productive partnerships with local actors and that leave behind sustainable local capacity after projects end. An emphasis on flexible arrangements should be rooted in the recognition that the key value of democracy and governance work is often not in specific political actions produced through the assistance. It is instead in the creation of lasting relationships that are based on shared democratic principles and aspirations between U.S. groups and local counterparts, relationships that entail an organic mutual transmission of knowledge, moral support, inspiration, and ideas.

Finally, USAID should also seek to reduce the externality of its democracy and governance work by seeing if it can at least modestly increase efforts by USAID missions to channel assistance directly to organizations from aid-receiving countries themselves. This could include greater local funding not just for project implementation but also for more significant participation of local experts in USAID's processes of project design and project evaluation. To further these efforts, USAID should study the experience of other major aid funders, including other bilateral aid agencies that do much more direct funding.

STRENGTHENING THE PLACE OF DEMOCRACY AND GOVERNANCE WORK

Given that substantial doubts about USAID's commitment to democracy and governance work persist more than twenty years after USAID entered this field, it is reasonable to ask whether it might be better to give up the quest for a unified socioeconomic and political development agenda at the agency. As enumerated earlier, significant elements of resistance to such integration still exist and will likely persist. Yet there are compelling reasons to keep trying.

The clear trend in the broader international development community is toward expanding the concept of development away from a tightly circumscribed socioeconomic conception to one that integrates political elements. Amartya Sen's pathbreaking work in this regard added a crucial intellectual foundation for movement that was already occurring in many quarters. Numerous development organizations are struggling to settle on a broader conception of development and weave it into their work. The fact that this is a difficult and slow process does not mean it is an incorrect one.

Moreover, even if one holds to separate concepts of socioeconomic and political development, the case for the socioeconomic instrumentality of political development work has gained weight in recent years. It remains true that research studies fail to find that democratization boosts rapid economic growth. But if one looks at long-term growth or if one takes a view of socioeconomic development that is broader than just growth, positive effects of democratization are identifiable.[9] Moreover, solid evidence exists for positive developmental effects of improved governance, such as greater governmental accountability, transparency, and responsiveness.[10] A strong trend among bilateral aid agencies is to incorporate at least some focus on democracy and governance concerns into their socioeconomic work. If USAID were to abandon the goal, it would be taking a decisive step backward vis-à-vis the broader direction of development assistance.

Strengthening the institutionalization of democracy and governance work within USAID has two meanings, often blurred in discussions of the topic: 1) ensuring that democracy and governance work is a well-established, well-supported part of USAID's core agenda; and 2) finding ways to incorporate democracy and governance values, insights, and approaches into the traditional areas of development assistance. Both are important. The starting point for both is leadership from the top. This means:

- **Clear interest in and commitment to democracy** and governance work on the part of the administrator of USAID;
- **Regular communication** of that interest and commitment throughout the agency's ranks;
- **Persuasive dissemination** of that interest and commitment to external audiences in major speeches and other statements;
- **Engagement in democracy** and governance issues by the senior policy team around the administrator (and the main policy bureau at USAID, if and when it is reconstructed);
- **Elaboration of policy** documents setting out the agency's ongoing strategy, approaches, and principles in democracy and governance work.

Such leadership should be accompanied by various specific measures to bolster the place of democracy and governance work within the institution. Strengthening the Office of Democracy and Governance is one important priority. The office's place within the institution could be improved. As noted earlier, it fits uneasily in the DCHA bureau, given that humanitarian assistance is a qualitatively different sort of assistance and often takes precedence. Some democracy and governance enthusiasts argue that USAID should upgrade the office into a full bureau dedicated to democracy and governance, in the belief that only a dedicated bureau can ensure that those issues will receive consistent attention throughout the agency. Others worry that a separate bureau might increase stovepiping

of democracy and governance work and recommend instead that the office simply be moved, either to an existing bureau that oversees programs more similar in type or to a reconstituted Global Bureau (where it was originally housed). Arguably, the bureau home of the office is less important than having a head of bureau (an assistant administrator) with significant interest and expertise in democracy and governance work.

The Office of Democracy and Governance should be expanded to allow it to better meet the demands for supplying technical expertise on democracy and governance issues coming from the field missions, taking part in interagency policy processes relating to democracy promotion, training the influx of new officers under USAID's Development Leadership Initiative, and broadening outreach to other organizations. To make such an expansion possible, the office's core administrative budget should be increased, as is currently being considered (from $12.5 million to $20 million), and the budget should be better protected internally against funding raids for competing priorities, as has happened at least once before.

Fostering further integration of democracy and governance perspectives and approaches more widely and deeply within the rest of the agency is also crucial.

Strengthening the democracy and governance cadre within the agency would be another positive step. To ensure that field missions have sufficient personnel knowledgeable about such work, the agency should increase the number of democracy and governance office slots in the missions. The ongoing effort by the Office of Democracy and Governance to define what are known at USAID as the "core competencies" for democracy and governance positions should be fully institutionalized. Doing so will

provide a better basis both for guarding against such positions being filled by nonspecialists and for defining the required training for democracy and governance officers. The valuable steps taken during the past year by the Office for Democracy and Governance to step up training for incoming officers should be given full institutional support to ensure that the wave of new officers coming into the agency over the next several years will be adequately trained. Also valuable would be expanding short-term training opportunities as well as midcareer fellowships for experienced democracy and governance officers.

One approach would be to create more financial and other incentives within the agency to encourage aid officers at different levels to experiment with different ways of integrating the political and the socioeconomic.

USAID needs to multiply and deepen its external ties in the democracy and governance domain by establishing more active linkages with democracy assistance actors beyond those it funds, including other bilateral aid agencies, international organizations, and private foundations. Such ties could include regular joint workshops, exchanges of personnel, and cross participation in training exercises. USAID has much to offer and also to learn from the wider democracy aid community. Engaging much more actively in that community would augment the attractiveness of working on democracy and governance issues at USAID, which in turn would contribute to the long-term development of internal capacity.

Fostering further integration of democracy and governance perspectives and approaches more widely and deeply within the rest of the agency is also crucial. Some progress has been made over the years.

USAID's work on anticorruption, for example, which is part of the democracy and governance portfolio, has attracted interest and tie-ins from other programmatic areas at the agency. Much more needs to be done to advance such integration of democracy and governance issues. Some enthusiasts have a maximal goal—institutionalizing at USAID their view that democracy and governance is not just another area of development aid but *the* intellectual and practical foundation on which all other development aid should be built.

Whether the goal is the more modest (although still ambitious) one of better integration or the more far-reaching one of moving a democracy and governance perspective into a primary position in the development agenda, leadership from the top will be vital. One possible approach would be directing some missions to carry out an overarching democracy and governance analysis of the country where they are based and then require all programmatic areas of USAID's assistance in the country to develop their plans with specific reference to this analysis, aligning and integrating their objectives with a democracy and governance framework. A less ambitious approach would be for mission directors to require that each programmatic area demonstrate some incorporation of a democracy and governance perspective. Another less top-down approach would be to create more financial and other incentives within the agency to encourage aid officers at different levels to experiment with different ways of integrating the political and the socioeconomic. A useful addition to any of these approaches would be to require training in democracy and governance concepts and methods for all USAID officers, no matter what their area of programmatic specialization.

A MORE RADICAL OPTION

ORGANIZATIONAL SURGERY

The reforms recommended above would require major changes in how USAID operates in the democracy and governance sphere. Nevertheless, they represent a relatively moderate reform option. They would not entail changing the overall scope of USAID's democracy and governance work or changing the work of other organizations that fund U.S. democracy aid. However, given that a rare conjuncture exists in Washington for potentially deep changes in U.S. foreign assistance overall—the serious interest in such change on the part of both Congress and the new administration—it is worth at least considering a more radical response to USAID's shortcomings in the democracy and governance domain, one that would involve revising the relative allocations of U.S. democracy dollars among the main funders. This more radical move would be to split off the more political part of USAID's democracy and governance portfolio and move it elsewhere, such as to the State Department or NED.

Evidently enough, all of USAID's democracy and governance work is political (and in fact all development assistance is political in some sense). But one side of the portfolio is more directly or openly political than the rest. That is the part that engages either specifically with processes of political contestation, through elections and political party

work, with actors who challenge the political status quo, such as human rights activists and other assertive civil society advocacy groups, or with sources of political debate and information, such as through support for independent media. It might also include aid relating to democratic civic education, which may not sound highly sensitive politically to U.S. ears, but it is often very sensitive in contentious foreign political contexts where the idea of foreign involvement in the political education of citizens sets off alarm bells.

This openly political work contrasts with the rest of USAID's democracy and governance portfolio, especially the programs relating to governance and rule of law. While still certainly political, such programs focus on helping state institutions function more effectively, either through direct partnerships with state institutions or with civil society groups that work to improve governance.

This division between what some people within and around USAID refer to as the "D" (for democracy) and the "G" (for governance) sides of its democracy and governance portfolio is not necessarily a sharp one. Some activities, such as aid to electoral commissions, might arguably fall on either side of the line. Nevertheless, it is a division that corresponds to a basic divide in democracy support between a more political approach and a more developmental one.[11]

Moving the political side of USAID's current democracy and governance portfolio out of the agency would not mean giving up on USAID as a substantial actor in democracy and governance work. The more political side represents a minority of the overall democracy and governance budget at USAID, perhaps $150 million to $250 million per year (out of the approximate total of $1.5 billion), depending on how it is defined. Even if the political side were split off, USAID would still be the largest U.S. funder of democracy and governance aid by a considerable margin. Thus, the goal of finding productive synergies at USAID between socioeconomic and political assistance would not have to be renounced. In fact, some might argue that the resistance within USAID to fully integrating democracy and governance work into the institution would diminish if the more overtly political side of the democracy

and governance portfolio were split off. It is the governance side of the portfolio that is more easily accepted by traditional developmentalists.

The main argument in favor of breaking up USAID's democracy and governance portfolio would be that the more political side of such assistance does not fit naturally at USAID, for two reasons. First, even if USAID manages to revamp its basic operating procedures, a large agency may never be able to act around the world with the necessary nimbleness, speed, and flexibility that the more political side of democracy work inherently requires. Second, work on elections, political parties, independent media, human rights advocacy, and other assertive, challenging political programs may never fit comfortably at a bilateral aid agency that inevitably needs to maintain friendly relations with governments of different political stripes for the sake of its other programmatic priorities.

The main arguments against such a move would be that it would exclude a large, vital part of democracy assistance from the worthwhile effort to ground democracy aid in a broader developmental framework and that it would damage the larger effort to show a strong commitment to democracy at USAID precisely at a key moment of potential institutional revitalization. Moreover, opponents of any such splitting off would argue that the bureaucratic problems that afflict USAID's political assistance would likely turn up in any other U.S. institution that took on such a large additional amount of such work.

WHERE TO?

With respect to a possible new institutional home for the political side of USAID's democracy and governance portfolio, the major challenge would indeed be for some institution to manage such a large additional amount of funding without slipping into the same patterns of bureaucratization that bedevil USAID. Both the State Department and NED already fund programs in the political side of the democracy and governance sphere. Both, however, would have to make major institutional changes to absorb such a large funding increase. In the case of the Bureau of Democracy, Human Rights, and Labor at the State Department, the budget increases

it has enjoyed in recent years for aid programming have steadily eroded its reputation as a less bureaucratic, more dynamic funder. More than a few recipients of State Department democracy funding complain that the State Department is already comparable to USAID in its bureaucratization and that it lacks sufficient technical capacity in some of the areas it funds.

Sharply increasing NED's budget yet maintaining the relative speed, risk-taking, and flexibility that NED justifiably prides itself on would be a significant challenge. Such an increase—possibly more than doubling NED's budget—would likely require fundamental changes in NED's basic funding allocations and structures. It would likely mean, for example, that NED would have to open up its major institutional grants well beyond its four core grantees to the much larger set of organizations that currently receive funding from USAID for work on elections, political parties, media development, human rights, and democratic civic education. It might also necessitate other basic changes, such as moving away from an exclusively Washington-based grant-making structure to one that includes regional or country offices. In short, such a reallocation of funding would not mean just a larger NED but also a very different NED, one that would not necessarily be able to preserve its traditional comparative advantages.

Sharply increasing NED's budget yet maintaining the relative speed, risk-taking, and flexibility that NED justifiably prides itself on would be a significant challenge.

A crucial issue bearing on whether the State Department or NED might be preferable as a home for the political side of USAID's democracy and governance portfolio is the question of the best relationship between different types of democracy assistance and U.S. foreign policy. Some in the U.S. policy community tend to see democracy aid as just one

more instrument of U.S. foreign policy and to assume that integrating such funding into the foreign policy machinery will ensure it is put to productive use serving clear U.S. foreign policy interests. This outlook gained strength in recent years as part of general post–9/11 tendency to try to make U.S. foreign aid more directly serve the U.S. strategic agenda (such as trying to employ development aid to alleviate the conditions some believe help fuel anti-Western Islamic radicalism).

If any reassigning of the political side of USAID's democracy and governance portfolio were to take place, adherents of this view would favor moving such aid to the State Department. They would see assistance relating to elections and political parties as a crucial element of U.S. policy in many contexts, one that should be closely integrated into a broader U.S. policy, as has been the case recently in Iraq and Afghanistan. Moving a large portion of such aid out of the U.S. foreign policy-making process would, in their view, be a mistake.

The delicate dilemma of such assistance is that it must not be too closely harnessed to near-term U.S. foreign policy objectives.

A different view exists among others in the U.S. policy community: that U.S. democracy aid is usually most effective when it is funded and implemented at a certain distance from U.S. foreign policy. In this view, although in a very general sense U.S.–funded democracy aid is part of U.S. foreign policy (given that it entails the expenditure of U.S. government funds), the delicate dilemma of such assistance is that to contribute most effectively to an overarching U.S. goal of advancing democracy in the world it must not be too closely harnessed to near-term U.S. foreign policy objectives. Such harnessing, it is argued, sometimes leads to politicization of such assistance—for example using elections assistance or political

party aid to bolster governments or political figures friendly to the U.S. government, with consequent delegitimization of the assistance.

Adherents of this view would tend to favor moving the political side of USAID's democracy and governance portfolio to NED rather than the State Department. They might acknowledge that many people around the world tend to assume that NED is part of the U.S. government. But they tend to hold that a genuine difference does exist between NED's approach and the democracy funding of U.S. government agencies in terms of aid being employed as a tool to serve near-term U.S. foreign policy objectives. As one element of a larger possible reordering of the institutional landscape of U.S. democracy assistance, for example, Tom Melia recommends moving all political party aid from USAID and the State Department to NED, and substantially increasing (quintupling) NED's budget.[12]

UNCERTAINTIES

In short, the case for splitting off a sizable part of USAID's democracy and governance work is complicated and very mixed at best. Such a move might free such assistance from USAID's institutional shortcomings and allow it to find a more dynamic institutional home. Yet wherever such a large amount of highly political assistance spending ended up, keeping similar institutional problems from reproducing themselves would be a significant challenge.

Although in theory such a move might make it more possible for USAID to mainstream the remaining governance portfolio into its work, a splitting off would more likely be a major blow to USAID's status as a funder of democracy and governance work and would damage any effort to more strongly institutionalize the remaining such assistance within the agency.

In any event, the Obama administration has so far not signaled an intention to attempt a major reordering of the current institutional configuration of U.S. democracy aid. A reallocation of the type described above would require unsettling quite a few institutional actors that have

become used to a high degree of stasis in the basic landscape of democracy funding. Resistance among some would be fierce. A successful reordering would require a strong, sustained push from the White House and the State Department, close cooperation with Congress, and a willingness to take on entrenched interests in many quarters.

CONCLUSIONS

Pressed by a crowded agenda of high-priority foreign and domestic issues and cautious about a policy area that received so much negative attention during the Bush administration, President Obama and his team have moved only hesitantly in reformulating U.S. democracy promotion policy. Yet President Obama's eloquent statements about democracy in several of his major foreign speeches, such as in Cairo in June and Accra in July, signal his interest in this domain. A serious effort to revitalize U.S. democracy assistance could be a significant part of a larger policy reformulation. Precisely because democracy assistance is often the quieter side of U.S. pro-democratic engagements, focusing on how to strengthen it should appeal to an administration that clearly favors a less assertive, quieter approach to supporting democracy abroad than the Bush administration sometimes followed.

As the largest U.S. funder of democracy aid programs, USAID is the natural starting point for such a revitalization. At the same time, however, it is a daunting place to begin. USAID is a seriously troubled institution, afflicted with enough institutional maladies to deter many reformers from even trying. Yet this is a good moment to try. The White House–led comprehensive review of development policy and the State Department's Quadrennial Diplomacy and Development Review may open the door to basic reforms of U.S. foreign assistance. Moreover, some influential members of both the Senate and the House are interested in fundamental legislative reform relating to foreign aid.

Although reforming USAID is indeed daunting, conceiving what is needed to strengthen the agency's democracy and governance work is ultimately not that complex. Streamlining a suffocating bureaucracy, reducing the externality of the core assistance mechanisms, and bolstering the democracy and governance capabilities within the institution are all clearly identifiable priorities. The solutions they will require are also not necessarily that complex. What will be most difficult is ensuring that they become priorities in the larger swirl of potential foreign aid reform efforts and not get neglected in the shadow of debates over macro-level issues such as the size and shape of the foreign aid budget and the best institutional relationship between USAID and the State Department.

The key to achieving these somewhat technocratic but nevertheless indispensable reforms to USAID's democracy and governance work will be determined, focused leadership at the agency. Although USAID is a decentralized institution, with field missions having significant control over their own activities, major institutional changes can and must be driven from the top. Bottom-up reform at USAID is not feasible, no matter how many talented, energetic people in different parts of the agency are engaged in democracy and governance work and are interested in improving the agency's work in this domain. Such leadership will have to combine a range of important attributes:

- **A commitment to the value and importance** of democracy and governance as part of the overall U.S. development agenda and a genuine interest in how such assistance works;
- **A willingness to devote significant time** and attention to a stratum of institutional issues that, while fundamental to doing better on democracy and governance, are inevitably detail-oriented and unglamorous;
- **A willingness to acknowledge** USAID's shortcomings in democracy and governance work and not to adopt an automatic defensive posture in the face of critical reviews and challenging reform proposals;

- **An ability** on the one hand to bring into the discussion the many different parts of the community of USAID's implementing partners in democracy and governance work yet a willingness on the other hand to take on the many vested interests in that community that will feel threatened by change;
- **An ability to work closely** with the State Department to advance a productive, cooperative vision of USAID–State Department relations in democracy and governance work;
- **An ability to work closely** with Congress at every step of the reform process.

Revitalization of USAID's democracy and governance work could serve as a foundation for a broader effort to reinvigorate the whole range of U.S. democracy aid efforts. More broadly, it would be a vital signal that the Obama administration is moving beyond its instinctive, understandable caution on democracy promotion to forging lasting institutional changes that will help the United States meet the serious challenges that democracy's uncertain global fortunes now pose.

NOTES

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1. For an excellent analysis of the institutional landscape of U.S. democracy assistance, see Tom Melia, "The Democracy Bureaucracy," *American Interest*, Summer 2006, 122–30.

2. The government does not provide agency-by-agency breakdowns of democracy aid budgets, only a composite figure. However some agency-specific budget figures for democracy assistance are reported in *Democracy Assistance: U.S. Agencies Take Steps to Coordinate International Programs but Lack Information on Some U.S.-funded Activities*, U.S. Government Accountability Office, September 2009. The two largest sources of State Department democracy aid are programs managed by the Bureau of International Narcotics and Law Enforcement Affairs (primarily programs relating to criminal justice issues in Afghanistan, Colombia, and Iraq) and by the Bureau of Democracy, Human Rights, and Labor.

3. USAID also uses its own "customized" indicators for some democracy and governance programs, alongside the standardized F Process indicators. Some USAID officers insist that the standardized indicators are not important and not taken seriously by USAID personnel as a performance management tool and therefore should not be seen as a significant problem. Yet representatives of organizations that carry out USAID-funded democracy and governance programs report that they are held to the standardized indicators and that these indicators do affect decisions about program implementation.

4. For a critical assessment of USAID's evaluations of democracy aid programs, see National Research Council, *Improving Democracy Assistance: Building Knowledge Through Evaluations and Research* (2008). See also, Keith Brown, "Evaluating U.S. Democracy Promotion in the Balkans: Ironies,

Inconsistencies, and Unexamined Influences," *Problems of Post-Communism*, vol. 56, no. 3 (May-June 2009): 3–15.

5. The Office of Democracy and Governance is developing a new set of impact evaluation methods and studies to enhance the agency's learning about what works in democracy and governance assistance. These evaluations use rigorous sampling and statistical techniques, comparing "treated" and "untreated" individuals or organizations within an area of assistance programming to determine a program's impact. They will supplement rather than replace the standard project evaluations.

6. For a comprehensive analysis of the challenge of encouraging local ownership, see "Ownership in Practice: The Key to Smart Development," Oxfam America Research Report, September 2009.

7. "Request for Task Order Proposal (RFTOP) Number 623-EA-09-024 for Encouraging Global Anticorruption and Good Governance Effort (ENGAGE)," USAID East Africa, May 29, 2009.

8. "The Democracy Initiative," U.S. Agency for International Development, December 1990, 3.

9. Several recent studies have found that democracies outperform nondemocracies on a wide array of human capital indicators, including infant mortality, life expectancy, immunizations, educational enrollment ratios, and adult literacy. See Matthew Baum and David Lake, "The Political Economy of Growth: Democracy and Human Capital," *American Journal of Political Science* 47:2 (2003): 333–47; Morton Halperin, Joseph Siegle, and Michael Weinstein, *The Democracy Advantage: How Democracies Promote Prosperity and Peace*, New York: Routledge, 2005. Democracies also tend to have more macroeconomic and political stability and are better able to respond to devastating disasters, such as famines. See Amartya Sen, *Development as Freedom*, Oxford: Oxford University Press, 1999. Additionally, democracies generally engender greater economic freedoms, measured by indicators such as protection of property rights, business, credit and labor market regulations, sound monetary policy and free trade. See Hristos Doucouliagos and Mehmet Ali Ulubasoglu, "Democracy and Economic Growth: A Meta-Analysis," *American Journal of Political Science* 52:1 (2008): 61–83.

10. An extensive body of research suggests that the quality of political institutions is a key determinant of economic development. See Douglass North, *Institutions, Institutional Change and Economic Performance*, New York: Cambridge University Press, 1990; Roberto Rigobon and Dani Rodrik, "Rule of Law, Democracy, Openness, and Income: Estimating the Interrelationships," Working Paper 10750, National Bureau of Economic Research, 2004; Dani Rodrik, Arvind Subramanian, and Francesco Trebbi, "Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development," *Journal of Economic Growth* 9:2 (2004): 131–65; Daron Acemoglu, Simon Johnson, and James Robinson,

"The Colonial Origins of Comparative Development: An Empirical Investigation," *American Economic Review* 91:5 (2001): 1369–1401; Daniel Kaufmann, Aart Kraay, and Massimo Mastruzzi, "Governance Matters VI: Governance Indicators for 1996–2004," World Bank Policy Research Working Paper No. 4280, 2007. Democratic systems, on average, are associated with better governance and therefore indirectly contribute to higher rates of growth. See Francisco Rivera-Batiz, "Democracy, Governance, and Economic Growth: Theory and Evidence," *Review of Development Economics* 6:2 (2002): 225–47. This may be because various features of democracies, such as freedom of expression, transparency and openness, and political contestability impose important checks on systemic corruption and contribute to a more participatory and inclusive economic development.

11. On this division, see Thomas Carothers, "Democracy Assistance: Political vs. Developmental?" *Journal of Democracy*, 20:1, January 2009, 5–19.

12. Tom Melia, "The Democracy Bureaucracy," 128–29.

ABOUT THE AUTHOR

Thomas Carothers is the vice president for studies at the Carnegie Endowment for International Peace. In this capacity, he oversees the Democracy and Rule of Law Program, Middle East Program, and Carnegie Europe.

Carothers is a leading authority on democracy promotion and democratization worldwide as well as an expert on U.S. foreign policy generally. He is the founder and director of the Democracy and Rule of Law Program which analyzes the state of democracy in the world and the efforts by the United States and other countries to promote democracy. In addition, he has broad experience in matters dealing with human rights, international law, foreign aid, rule of law, and civil society development.

He is the author or editor of eight critically acclaimed books on democracy promotion as well as many articles in prominent journals and newspapers. He has been a visiting faculty member at Oxford University, Central European University, and the Johns Hopkins School of Advanced International Studies.

Prior to joining the Endowment, Carothers practiced international and financial law at Arnold & Porter and served as an attorney-adviser in the Office of the Legal Adviser of the U.S. Department of State.

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CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE
1779 Massachusetts Ave., NW
Washington, D.C. 20036-2103
Phone: 202.483.7600
Fax: 202.483.1840
www.CarnegieEndowment.org
info@CarnegieEndowment.org

CARNEGIE MOSCOW CENTER
125009, Moscow
Tverskaya, 16/2
Russia
Phone: 495.935.8904
Fax: 495.935.8906
www.Carnegie.ru
info@carnegie.ru

CARNEGIE-CHINA REFORM FORUM JOINT PROGRAM
Room 513, Chang Xin Building
39 Anding Road, Chaoyang District
Beijing, 100029
China
Phone: 86.10.6443.6667 ext. 627
Fax: 86.10.6894.6780

CARNEGIE MIDDLE EAST CENTER
Parliament St. 88
Postal Code 2011 8806
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