

Adventures in Transitioning – Notes on “Policy” in Six Administrations (Michael Crosswell, PPL/P, August 2016)

With a Presidential transition looming I thought it would be helpful to document my experience (usually working on policy) with six previous transitions. I focus mainly on the initial policy efforts, and also mention the subsequent evolution of policy in each case. This is all from a personal perspective and is not meant to be an authoritative historical review.¹

1. **Carter – 1977.** I came to work for AID (from the FED) in April 1977, just as the new Administration was getting under way. By then we had an AA and DAA for PPC (Alex Shakow and Charlie Paolillo). A strong interest had developed in “Basic Human Needs” (BHN) following the 1976 ILO report and other work, as a further step in the “New Directions”/“Growth with Equity” themes that dated from 1973.

The new Administration jumped on this in a very concerted and systematic way. PPC career staff produced what was essentially a white paper (“Analysis and Implications of a Basic Human Needs Strategy”) for a June 1977 NSC meeting on foreign aid. (“PRM Track 8”) This was followed by three efforts completed in October 1977:

- A paper on BHN written by PPC staff on detail to the DAC and discussed at the October DAC High Level Meeting.
- The Brookings Study – “Interim Report: An Assessment of Development Assistance Strategies” that recommended a Basic Human Needs strategic focus.
- The Development Coordination Committee “Foreign Assistance Study” that presented “a basic policy for U.S. development assistance programs, both bilateral and multilateral, over the next five years and beyond”. This also pointed to BHN.

This culminated in a November 1977 Presidential Decision Memo in which the President decided to adopt an assistance strategy oriented towards BHN. (The combination of fairly thorough analysis and rapid movement to a Presidential decision is – in retrospect – extremely impressive. Later policy transitions were much slower and often much less grounded in careful analysis.)

From that followed the “Bilateral Assistance Strategy Paper” completed by PPC staff in March 1978; a strategic budgeting model developed and applied during 1977 and 1978; the work of the “Program Procedures Task Force” that translated all this into guidance for strategies, programs, and projects; and a large volume of related policy analysis and policy background papers. The effort was not just to implement this internally, but also to get other donors on board. It was a relatively thorough and systematic effort.

However, even with all this foundation, continued policy development was called for, in the form of a DCC discussion paper, “Evolution of the Basic Human Needs Concept”, March 1979. The main purpose was to remind people of the importance of economic

¹ Most of the papers cited here are available through the Development Experience Clearinghouse, or from me.

growth for poverty reduction, building on emerging evidence and analytical work. This overall policy effort survived the departure of Administrator Gilligan in 1979 and the creation of IDCA.

2. Reagan – 1981. This transition was much less systematic from a policy perspective. My understanding is that during the campaign, Peter McPherson circulated a memo to the campaign arguing that U.S. foreign aid should focus on policy dialogue, the private sector, institution building, and technology transfer as ways to leverage the impacts of U.S. assistance. These were seen as ways to accomplish more with less – with “development” as the implicit goal. McPherson became the Administrator, and John Bolton became head of PPC. The four types of activities that McPherson had outlined became enshrined as “The Four Pillars”. There was no overarching policy or strategy paper. Instead, from May 1982 PPC staff produced a steady stream of policy papers – fairly detailed and analytical – that came to be known as “Red, White, and Blues” from their covers.² They covered each of the pillars, and other topics as well (trade, agriculture, education, etc.). PPC also produced “Policy Determinations” covering more specific and operational topics and issues (e.g. participant training). Throughout, the implicit overarching goal was ‘development’ seen as economic and social progress in developing countries.

3. Bush I – 1989. This was somewhat anti-climactic as a transition, as there was no change in party. Administrator McPherson had departed in 1987, and Alan Woods eventually became Administrator, with the apparent understanding that he would continue under Bush. In any case, as much of a transition as occurred happened mainly as a transition from McPherson to Woods. The main “policy” effort was “The Woods Report”, produced by a PPC political appointee, Cliff Lewis, entitled “Development and the National Interest” (February 1989). This was in the format of a World Development Report, providing a conservative’s view of development performance and prospects, and what determined success and failure (private markets, etc.) The underlying assumption was that foreign aid was for development progress at the country level. It was not a strategy and did not lead to any strategy or policy papers. Indeed, the stream of “Red, White, and Blues” had dried up by August 1988. Woods became ill and passed away, and was eventually replaced by Ronald Roskens in 1990. So there was a considerable period during and following Woods’ illness with something of a leadership vacuum. (Andrew Natsios and Henrietta Fore were AA’s during the first Bush administration, and later returned as Administrators during Bush II.)

This latter “transition” (to Roskens) gave rise to some relatively sketchy policy efforts. A one-page USAID Mission Statement (September 1990) included six “principles” or goals (essentially pertaining to Economic Growth; Democracy; Investing in People; Environment, Humanitarian Assistance; and transnational problems). What is striking is:

- the shift from a focus on overall country development progress to “functional goals” (reflecting the end of the Cold War, the decline in national security

² There were twenty-three in all. None appeared in 1987 and the last two were issued in 1988.

- arguments for overall development progress at the country level, and political interests associated with functional goals); and
- mention for the first time of transnational issues (reflecting increased globalization and an expanding array of concerns in developing countries.)

This was followed by four “Initiatives” – for Democracy; Partnerships for Business and Development; the “Family and Development”; and Strategic Management. These had at best modest impacts.

Meanwhile, there was mounting recognition – both internally and externally – of serious problems of incoherence in policy and programs. (e.g. the Hamilton/Gilman Report for Congress.) In view of this and with an eye to reorganization, Roskens created three task forces – for policy, operations, and management. The report of the Policy Task Force provided a candid, forceful analysis of the drivers of policy incoherence, and the need for policy based on evidence and analysis (including analysis of coherence issues). The reorganization led to a new Policy Directorate headed by a non-Senate confirmed political appointee and staffed by foreign service and civil service staff. During 1992 staff produced a draft ‘white paper’ (“Towards a New Agenda: US Economic Assistance in the 1990s”) that examined alternative overarching policy frameworks and mission statements; and drafted a trade policy that addressed some major policy issues. In late 1992, facing a change in administration, these provided input for a comprehensive briefing book for the incoming administration.

4. **Clinton – 1993.** It took some time before Brian Atwood finally became the new Administrator and other appointments fell into place. The new PPC team completed “The Strategies for Sustainable Development” in January 1994, including an overview and five, relatively broad brush strategies – covering environment, democracy, health/population, economic growth, and humanitarian assistance/post-crisis transitions. The first three were clearly political priorities, with a senior PPC political appointee in charge of each, and with a major focus on “global issues”. Economic growth was the “residual” (i.e. those activities not elsewhere classified) rather than a priority. PPC staff then drafted the strategic guidelines for each goal, which were much more detailed, analytical, evidence-based, and directed towards guiding country strategies.

USAID operated under this framework (with the eventual addition of “Human Capacity Development” as a sixth “goal”) for the remainder of the Administration, including the first (1997) Agency Strategic Plan; annual (internal) goal reviews and annual (external) performance reports that were rated very highly compared with other agencies; a change in Administrator (from Atwood to Brady Anderson) in 1998 or so; and the 2000 review and update of the Strategic Plan. Various policy concerns that arose (e.g. gender, food security, poverty, conflict) were analyzed within this framework with an eye to coherence and consistency. Nonetheless, the expanding agenda for foreign aid – including global issues, fragile states, and politically driven initiatives – and waning interest in overall development progress at the country level produced significant strains and tensions where policy coherence was concerned. In particular, the practice of policy by initiative – funded by declines in discretionary resources for the field -- became

entrenched. By 2000 PPC had produced several analytical papers pointing to a framework for foreign aid in which “development” was one of a number of core goals for foreign aid. This was important for policy coherence because distinct goals call for distinct resources, strategies, and guiding principles. For instance, developmental selectivity criteria were inappropriate for assistance aimed at global issues. Further, it provided a means for drawing attention to declining resources for development -- particularly for economic growth and governance.

Finally, it is worth noting that in the face of waning support for foreign aid during the 1990s (due to the end of the Cold War and the apparent “end of history”), many bilateral donors embraced poverty reduction as an overarching goal and framework for developmental foreign aid, and urged the US to do the same. USAID resisted, arguing that the goal of sustainable development and the strategies supporting that goal were fully supportive of progress in poverty reduction in developing countries; and that development was about much more than poverty reduction.

5. **Bush II – 2001.** Andrew Natsios came in as Administrator and – perhaps influenced by the Woods Report – commissioned his own report on “Foreign Aid in the National Interest” (2002). This was largely written by outsiders of varying stature, with chapters on various “topics in development” (EG, DG, Global Health, Conflict, and Humanitarian Assistance.) The chapters were essentially analytical essays on how to think about those problems, what worked and didn’t work, etc. They did not set strategy and policy, and there was no push for follow-up in terms of an overarching policy statement or strategic guidance. At the same time, Natsios reorganized USAID to emphasize the “pillar bureaus” – EGAT, DCHA, and Global Health – essentially institutionalizing a “functional” approach to foreign aid, and giving rise to various functional strategies (e.g. for trade and for agriculture.) There was a major reassignment of technical staff from PPC and the regional bureaus to the pillar bureaus.

However, this was arguably ill-timed as the terrorist attacks and the September 2002 National Security Strategy reestablished the critical importance of overall development progress at the country level.³ In response, USAID policy staff produced the USAID White Paper (“U.S. Foreign Aid: Meeting the Challenges of the Twenty-first Century”) which was endorsed as setting overarching strategic direction for the Agency in October 2003. The White Paper acknowledged the importance of BOTH overall country progress (distinguishing between transformational development, strengthening fragile states and supporting “strategic states”) and specific global and transnational issues and other special concerns. This was implemented, and eventually formally institutionalized in the “Policy Framework for Bilateral Foreign Aid” (January 2006).⁴ Shortly thereafter, Natsios resigned and the 2006 “aid reform” took over, led by OMB, State, and the NSC. The policy function (and office) in PPC was relocated to F, and then promptly dissolved.

Aid reform was justified by a claim that USAID recipients had failed to make adequate progress, and began with a nearly exclusive focus on overall development progress at the

³ At about the same time, MCC was created.

⁴ It also provided the foundation for a draft “National Development Strategy” in 2005

country level. This was represented in the “Foreign Assistance Framework” -- essentially a matrix with columns for functional activities (EG, DG, etc.) and rows for various groups of countries (rebuilding, developing, transforming...) at different “stages” of development. There were various conceptual flaws in the framework, so that efforts to produce an overarching strategy foundered. After the departure of Randall Tobias in May 2007, those efforts ceased. The country groups played no role, and the functional designations were essentially descriptive accounting categories rather than strategic goals. Policy in terms of goals and objectives was basically revealed through the budget process. This naturally aggravated problems of policy coherence, with at best a very limited role for evidence and analysis beyond what was marshalled for advocacy and lobbying for initiatives.

6. Obama – 2009. Many in the development community (which leans Democrat) were critical of the reorganization that led to F and the attendant demise of the policy function where foreign aid and development were concerned. Various studies (by Radelet; Lancaster; Brainard; the HELP Commission, and Severino/Ray) and the work of the Modernizing Foreign Assistance Network called for corrective action – both policy and organizational. Nonetheless, there was no indication of dissatisfaction with current arrangements on the part of the new Secretary of State. It fell to the NSC to launch a comprehensive review of foreign aid in the Fall of 2009, led by Gayle Smith and Jeremy Weinstein. This review was exceptionally thorough and systematic, with widespread participation by concerned agencies – including both senior managers and (in another forum) an informal economists’ group. The process produced a number of issues papers, culminating in a White Paper issued by NSC staff in February 2010. (This was not widely distributed, but is available on the PPL/P web site.) This paper highlighted the issue of policy incoherence as a result of “budget-driven policy”, and proposed five core goals for foreign aid. The first goal emphasized development progress at the country level as a matter of broad-based growth and improved governance. The others pertained to global issues, programs aimed directly at meeting basic needs, post-conflict countries/fragile states, and strategic states. The three major initiatives for global health, food security, and climate change were referenced in connection with the global issues and basic needs goals. The paper called for a much-strengthened policy function that could produce a quadrennial global development strategy and substantive white papers on major development issues; and a new account structure that corresponded to the core goals.

There followed months of sharp debate before the Presidential Policy Directive was issued (with very restricted circulation, except for a publicly available “fact sheet”) in September 2010. The five-goal structure remained largely intact, but by then it had become clear that funding for the first goal would remain limited – certainly where USAID was concerned – and that the major initiatives would remain fully funded. The “Partnership for Growth” was to be the main vehicle for implementing the first goal.

Meanwhile, in anticipation of the PPD and with the arrival of Raj Shah as Administrator, USAID initiated work on the USAID Policy Framework. Efforts initially focused on fleshing out the five goal framework of the Presidential Policy. However, in October the Administrator redirected the effort, indicating that PPD interpretation and implementation

would take place through other vehicles; and that the focus should be on objectives, targets, and methods in view of history and megatrends.

The ensuing USAID Policy Framework – released in September 2011 -- contained seven core development objectives. The first three reflected the three major initiatives, while the others pertained to EG, DG, humanitarian assistance, and fragility/conflict in somewhat overlapping fashion. The list was later expanded to include education. Within this broad framework a number of policies and strategies were produced.

Meanwhile, the process for formulating the post-2015 framework of global development goals was underway. In November 2012, shortly after the election, Administrator Shah proposed a Presidential Initiative to end extreme poverty (XP) and tasked the Policy Office with fleshing out the proposal. The President’s 2013 state of the union address embraced the goal of ending extreme poverty. Subsequently, USAID enshrined this goal in a new mission statement: “We partner to end extreme poverty and promote resilient, democratic societies while advancing out security and prosperity”

The Policy Office eventually began work on a Vision Statement for ending extreme poverty. This was a daunting task insofar there was little or no visible connection between the new goal and the existing USAID Policy Framework (much less the PPD); there were no new resources associated with the new goal; and there was no prospect of significantly redirecting or diverting existing resources, which were fully committed.

However, the working group took the novel but quite reasonable approach of defining extreme poverty in multi-dimensional terms -- to include not only income but also nutrition, health, education, access to essential public services (transport, energy, communications), etc. This served to tie poverty reduction to broad based development progress, with clear links to USAID’s existing programs; to the USAID Policy Framework; and even to the PPD. After extensive analysis, vetting and consultation within the Agency, a Vision Statement to this effect finally emerged in September 2015.

Administrator Shah departed well before the Vision Statement was completed, and a new Administrator – Gayle Smith – came on board towards the end of 2015. With this transition, the emphasis on extreme poverty largely subsided within USAID, though it remains one of the sustainable development goals.

7. XXXX – 2017. I offer a few reflections and draw a few tentative implications for the next transition.

- At this point it would be difficult to provide a clear statement of our core goals and objectives, other than by describing the budget and major initiatives. None of the major policy documents (PPD, USAID Policy Framework, USAID Mission Statement, Extreme Poverty Vision Statement) offers an authoritative, up-to-date account.

- At the same time, there are few if any signs of a perceived need to review or reform foreign aid within the US development community. We seem to be in a fairly stable equilibrium, with few complaints about policy incoherence and unclear goals and objectives. The budget appears to be fairly secure, with bipartisan support.
- More generally, we are pretty firmly lodged in a “policy by initiative” mode (aka budget-driven policy, which provides a defacto policy framework) as opposed “policy-driven budgets” in which we identify core goals and then allocate resources accordingly.
- The increased roles of the State Department (under Bush) and the NSC (under Obama) suggest sharply diminished policy and budget autonomy for USAID.

Based on a small sample size (six transitions) -- With a new Republican Administration:

- The odds of a major review of foreign aid are low based on past experience. The four pillars of McPherson (1981) were about means rather than ends. The Woods Report (1989) and the Natsios Report (2002) did not lead to or even point to a new overarching policy or strategy.
- Nonetheless, towards the end of the first term in both Bush I and Bush II, USAID policy staff initiated basic reviews aimed at a more coherent overarching framework for foreign aid. In the first case, there was no second term. In the second case, a new framework was formulated and implemented during 2004-06.⁵
- Republican administrations have tended to emphasize foreign aid as a tool for advancing security interests, and often put foreign policy or national security types as head of AID’s policy bureau. (John Bolton, Reggie Brown, Patrick Cronin, Doug Menarchik)

With a new Democratic Administration:

- Democrats have been more prone to undertake major reviews of foreign aid at the beginning of an Administration. However, all three followed a transition from a Republican Administration.
- In the single case where the party in power did not change (Reagan to Bush) there was no systematic review.
- In 2008 Secretary Clinton showed no signs of interest in a basic reform of foreign aid, despite the urgings of development think tanks. She appeared completely comfortable with budget driven policy and with policy via initiatives.

⁵ The framework was based on work carried out later in the Clinton administration, when Tom Fox was head of PPC.