Rethinking Future Elements of National and International Power
Seminar Series
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The Third D: Development as an Instrument of National Power

Notes:
Below are informal notes taken by a JHU/APL staff member at the Seminar.

Mr. Natsios noted that he would be discussing both the history of USAID and the basics of development theory. He took particular note of the fact that USAID has begun to reorganize to assist failed and failing states well before the attacks of September 11, 2001.

History and Organization

The official term for USAID’s activities is Foreign Assistance and Official Development Assistance (ODA)
- Assistance involves 20 federal agencies
- 20% of AID funding comes from the Defense Department – an unusual situation in government
- The programs were quite diffuse in the 1970s
- As budgets started to decline in the Clinton Administration, the President wanted to consolidate efforts within a single agency

Development efforts really started in the 1940s and 50s
- The Marshall Plan was really not development since the countries involved were already developed
  - In the 17th century 60% of the German population was literate
- Under Kennedy there was a major shift toward real development activities
- By 1991 the system was well worked out
- The budget for development has tripled under the Bush Administration

USAID officers are different from State Department Foreign Service Officers
- There are no exams such as for State Department positions
- USAID officers need specific industrial and management skills – not diplomatic skills
- There are only 1100 Foreign Service Officers and 1100 AID Officers now
  - During early Iraq reconstruction efforts there was a call more AID Officers
  - Already had 50 there – largest mission in the world
  - DoD believed the number was too small
- During the Vietnam War there were 12,000 AID Officers
- USAID gets more applicants than any other federal agency
  - College job fairs draw large numbers of applicants
  - Development is a very popular field at the moment

USAID is organized primarily into 12 regional bureaus
- 80 field missions worldwide
- State Department and USAID have completely different cultures and time lines
- USAID is more like DoD than the State Department in some ways
- State Department employs people with diplomatic skills
• USAID officers are specialists from many fields
  o Economists, anthropologists, engineers, etc.
  o Need to be managers and leaders since so much money is involved
• Every poor country should have a mission
  o Especially those with on-going conflict situations
  o Usually involve places dealing with the darker side of globalization
    • Counterfeiting
    • Human trafficking
    • USAID has programs that can be helpful in all those areas

USAID’s 80 missions also have about 800 contract staff
• 17 categories of personnel
• 6000 FSNs (foreign service nationals) – many of whom have worked for AID for decades
• Many FSNs go on to be major players in their own governments
  o Both the President and First Lady of Peru were once FSNs
  o At least 5 Caribbean heads of state were once FSNs
• Former FSNs often go into the education systems or governments of their countries
  o USAID considers them the jewels of the system
  o These former FSNs are likely to support the foreign policy of the US

Foreign assistance efforts frequently are criticized in the US
• Many believe foreign assistance is a waste of money
• There are now more ways to get outsiders involved in USAID efforts
  o Global Development Alliance Partnerships involves $800 billion
  o Big business also gives money to USAID
• Development and assistance has deep roots in the Roman Catholic and Evangelical churches
  o World Vision, an Evangelical aid organization is the biggest NGO in the world
    ▪ Many evangelicals do ten to vote Republican
• The military also sees the need for the work of USAID in Iraq

What USAID actually does: change management
• Can assist transformational change in poor countries
• Programs are not the same in every country
• Aid to Egypt is basically political
  o Money goes to Egypt as a reward for signing the Camp David Accords
  o Egyptians don’t like to be told what to do with the money they feel is theirs by rights
  o USAID would never spend as much money in Egypt as they get from this program
    ▪ Government and social services are too sluggish to absorb this much money
    ▪ This is changing somewhat recently
• USAID programs also include export promotion and other post-conflict recovery issues

Before the Bush Administration the weakest part of the USAID portfolio was development
• Even though it was the most important part
  o Everything else works better if development is supported first
• In recent years there has been an effort to better integrate the various elements
  o Brought in new missions for foreign assistance, some controversial

Principles and Modalities of Development
USAID staff prepared an article for the Administrator which was published in Parameters, the US Army’s Senior Professional Journal (See http://www.carlisle.army.mil/usawc/parameters/05autumn/natsios.pdf ) identifying the nine Principles of Development. All had been debated and a broad consensus had been achieved within USAID. They are:
• Ownership
• Sustainability
• Capacity building
• Partnership
• Results
• Assessment
• Flexibility
• Accountability
• Selectivity
Another set of concepts that can be useful to consider are Development Program Modalities which are not sectors and not principles. Modalities are the types of things that development money buys:

- **Technical Assistance** (in education, engineering, etc.) can be brought to countries that lack them
- **Service Delivery** can provide vaccinations to children
- **Infrastructure Construction**
- **Commodity Transfer** involves arranging for the delivery of things like food
- **Short and Long Term Training** – at one time scholarships were the most powerful aid tool, need more
- **Policy Reform**
- **Institution Building** involves all of the other modalities

Some things that USAID does will involve more than one modality – example: AIDS efforts in Africa
- Part Service Delivery for administering medications
- Part Commodity Transfer for bringing in the medications and food assistance

Scholarships used to be a major part of USAID’s impact
- People were trained in American universities or other schools and then went home to work on their countries’ needs
  - Had to be done in groups of people to have a real impact
  - If the only one in a ministry had an American education point of view, he/she would be isolated
  - If there were several who had gone to the same schools, more influence
- In 10-15 years a whole ministry might have gone to the same school with same teachers
  - The Office of Management & Budget (OMB) considers this too long to be a worthy measure of success
  - OMB wants measurable results with a few months
- It is a mistake for USAID to only focus on short-term training as it does now
- Need long-term training to help reform things like health and education system which will take years to do

The most important thing that USAID does is institution building
- If this is not done, there is no way to maintain all the other improvements in the country
- See the text book: *Does Foreign Aid Really Work?* by Roger Riddell
  - It does, if done the right way
- One problem is that decisions are usually made in Washington by people who don’t know the situation
  - Usually they have never been to their project country or to any developing country
  - About 50% of development projects fail – mostly those that were not long-term
  - World Bank has good studies on these situations

Development Sectors also show the breadth of USAID work. They include
- Economic growth
- Agricultural development
- Public Health
- Roads, bridges, energy, ports: infrastructure
- Education
- Natural resource management: environment
- Disaster response
- Democracy and governance

It should be noted that you cannot take people from one sector like the Department of Education here and transfer them to someplace like Burundi to run education programs there
- And to do it all in just a few months
- Especially difficult if dealing with a traumatized society after a war or disaster
- Cannot use only American ways of doing things
- They may not know all the background research material
- Can be a problem that many of the specialists (such as agricultural economists) that use to be in USAID have been laid off due to down-sizing
- Need specialists who know how to build roads in rugged conflict areas and keep them maintained
USAID is not about nation-building

- See *State-Building: Governance and World Order in the 21st Century* by Francis Fukuyama
- Only one real instance of nation-building (the Raj in India by the British) and it was almost accidental
  - There was no plan to do it, it just happened
  - It is still working
- USAID is doing state building
  - Providing some level of public services, elections, etc.
  - Building a civil society
  - What it does reflects the values of its own society
    - Some concepts go back to d’Tocqueville and are found throughout American life
    - USAID tries to transfer these concepts to others who can accept them
- It is a relatively recent concept to take over governments to build states
  - You can’t tell people who need social services that they must wait 10 years while their governments develop those capabilities only to foster the development principle ownership
  - There are problems with time horizons in contracting now over this
    - State Department and DoD want USAID to do more immediately for things like sewage development
    - But must do state building at the same time

All development is local

- Regulators of the US federal government want to be able to measure quantities in order to grade performance of federal agencies
- It is not possible to use the same sort of indicators elsewhere in the world
- There is some research to show that work like what USAID does is best done by a decentralized organization so that most decisions are made in the field

There are big arguments with DoD over what development should be doing on in Iraq

- Not everything should be about engineering
  - Frequently, infrastructure is built but no money is provided for training or maintenance
  - In one case a new sewage plant closed down within two days of its opening because no one had been trained to operate it – considered not essential to the project
  - Decisions made by people not familiar with sewage systems in developing countries
- There are problems with the Pentagon
  - Most of the senior leadership were trained as engineers
    - They should not be allowed to run everything
  - Building infrastructure, especially roads in rural areas, takes special knowledge/skills
    - There are indications that where roads are built, the Taliban loses strength in Afghanistan
    - But must do more than just build the roads

Douglass C. North, won the Nobel Prize in Economics for his theories on development economics

- Before his work, economists insisted that institutions were neutral in developing economies
  - Having good ones had no impact on the outcome of development
  - It was not considered necessary to have a good banking system
  - Strong institutions are needed in all areas, not just economics
- The US is as powerful as it is because of its institutions – public and private
  - The economy can take shocks such as the current crisis well
  - Rand studied all cases of state building and learned that
    - Sustained funding is required
    - It takes a long time – 10 to 15 years (it took 200+ here)
    - Looked at what happens to countries after wars

There is no equivalent to quantum physics to explain institution building

- Looking at cultures / values / history is how the professionals do it
- It takes a long time to change a society’s values but it can be done – look at China
- Some techniques work in some places and some don’t
  - A lot depends on the country
• Too many people think of development as a mechanism but should look at it more like a tree which needs nurturing specific to its own area
• Bottom line: All development is local
  o There are always lots of pilot programs
  o Continue with those that work and drop those that don’t

Economic growth does not receive enough focus in development
• However, it should not be supported instead of social services (education/clean water/etc.)
• Must have tax revenue to support social services

There are different theories about what creates good development
• Washington Consensus of 1982 is frequently cited as a good example
  o Really was a Latin American consensus that was signed in Washington
  o Looks bad to call it this as if it were the US trying to be in charge again
• As in the Washington Consensus, good development is said to include
  o Balanced budgets (but the US doesn’t have one)
  o No high rates of inflation
  o Stable currency
  o Export driven growth
• Dani Rodrik (Harvard) has done research to see if these elements really matter over 25 years of experiences
  o See his book One Economics, Many Recipes: Globalization, Institutions, and Economic Growth
  o He looked at those countries that did well
    ▪ They did not really follow the Washington Consensus rules
    ▪ Those that did follow the consensus showed little correlation to real development
  o Washington Consensus may be reasonable in classical economic terms but its concepts are not the way to achieve development
  o These elements are necessary but not sufficient for development
    ▪ Definitely want to avoid inflation
    ▪ Definitely want to have economy oriented toward export
  o There should be more study of what well-developing countries really are doing
    ▪ If something is not working, then the planning must be flexible and change
• Certain local conditions do seem to apply
  o Colin Powell noted that capital was coward so countries need stability to attract investment
  o People won’t invest in a war zone
  o See The Bottom Billion: Why The Poorest Countries Are Failing And What Can Be Done About It by Paul Collier
• We know that socialism does not work but not everything needs to be in private hands either
  o S. Korea has some parts of its economy in public hands and that has worked
  o A similar sort of arrangement would not work in South America
• Outside organizations cannot do everything and may not be able to do very much
  o They can provide more help if they identify the people in the country willing to accept their help

The USAID Business Model includes elements that
• Are field based and decentralized
• Accept the key role of civil society
• Expect a high degree of accountability
• Are expensive
• Will have its measurable results emphasized
• Provide a pyramid structure of FSOs, USAID officers, FSNs, and staffs of contractors and partners

Other international assistance organizations like the World Bank are decentralized but only a few in the same field as USAID are
• USAID was more decentralized in the past but now decisions tend to be made in Washington
• Must deal with domestic political pressures of Washington

Development cannot be run on a cookie-cutter basis
• It will be expensive to operate since it must pay many entities to get things done
• In Iraq they had many tasks and many did not work
  o At one point or another 80,000 people were working for USAID
  o They weren’t in uniform so no one could identify them as USAID (might not be safe, either)

Fragile and Failed States
• Before 9/11 there was an effort to get more people interested in helping fragile/failed states
• Only after 9/11 did it become a big issue
• Paul Collier’s book *The Bottom Billion* is of use here
• There is a need to develop career tracks for field officers who would help in these areas
  o Need people who have other than diplomatic skills
  o Root causes of conflict involve resources
    ▪ Now counter-terror efforts are involved, too
  o Example: teams in North Africa taught the locals how to control their borders to control terrorists’ crossings
    ▪ What sounds like a good idea turned out badly
    ▪ Border controls also cut off the informal cross-border trade
    ▪ Small shop-keepers went out of business and blamed the government
    ▪ The situation needed a conflict economist to identify elements of the micro-economy

While USAID does not want to be militarized, there is a need for USAID to talk to the military
• The military should not run development programs in places like Africa
• The military should run development programs in hostile zones
  o But they need to talk with USAID to get a better understanding of the situations involved
• There are new ways to help this along
  o DART – Disaster Assistance and Recovery Teams help after earthquakes / other natural disasters
  o FOG – Field Officer’s Guide of how to handle development situations has been published and is widely accepted
• USAID duties may be expanded to help with state building which is especially needed in failed states
• The list of failed or failing states is classified
  o An early version was made public
  o Some of those on the list objected to being on the list
    ▪ Could be used by the opposition in elections

There are always problems with business models
• If one area is emphasized, then another gets neglected
• Can expect conflicts within PRTs
• Implementation is always the least understood part of a project
  o Getting things done is always difficult
  o See a study of implementation on the city of Oakland but it findings apply elsewhere
    *Implementation: How Great Expectations in Washington Are Dashed in Oakland; Or, Why It's Amazing that Federal Programs Work at All, … (The Oakland Project Series)* by Jeffrey L. Pressman and Aaron Wildavsky
  o Basically, the problem is that the program was too complex and too many people had the authority to veto projects
• Complexity can be a huge problem for development projects
  o There are better chances for success with programs that are science based: health, clean water
• Jeffrey Sachs believes that only the modernized Western countries can solve the problems for Africa
  o There is a need to make progress accountable
  o But also cannot expect that all programs are going to work every time
QUESTION AND ANSWER SESSION

The concept of a new Cabinet post for Development

- Enough money is spent on development to deserve its own Cabinet position
- Doing good is not sufficient
  - Can’t be just another Peace Corps
- If our economic system collapses, that would be a world problem
  - The 9/11 attacks were not randomly targeted at the World Trade Center
  - Bin Laden understood the importance of the area in world economy
- Development is not about meeting the needs of the Cold War and it is not what USAID is doing now
- We have 50 years of doing development now
  - It takes 15-20 years to develop a mission director
  - It is ridiculous to have only 1100 people handling $30B in projects
- Some centralizing of management of all the development aid programs would be a good thing
  - Not everything should be moved into a development agency
  - Some things like financial assistance programs should stay with Treasury
- Overall a Department of Development would be a good thing
  - Could include part of the CDC that runs projects in Africa
  - A single command structure for all the other parts of development would help
  - We can’t win the development part of the war on terror without better coordination

Working with NGOs

- NGOs do not like to associate with people who carry guns
  - That’s why USAID has an Office of Military Affairs
  - Some NGOs that work with USAID are upset about that
- USAID cannot tell all of the big NGOs just to take a hike
  - Church-based ones get most of their funding from someplace besides USAID
  - USAID has developed ways for working with NGOs but the relations can be confusing
- Money can come from different sources to do different things

Lessons were learned in Somalia

- New learning was used to improve situations after the tsunami, the Pakistan earthquake, etc.
- Primary lesson: We don’t need to do things the usual way
  - Don’t need to just move commodities
  - Better to give people vouchers for what they need
    - Establishes/supports local markets which are needed for long-term solutions
    - In almost all famines there is food to be had, but people can’t afford it
    - Give people jobs and pay and they can get food
  - In one recent disaster situation female heads of household were each given $100
    - Studies later showed that 90% used the money for what it was intended
    - Money was used for whatever they needed – building houses, school fees for children, new clothes for replacing what was lost
    - There was no rise in robberies which had been feared
  - Giving cash is much faster (no commodities to deliver) and stimulates the local economy
    - Same complaints were heard at the start of such projects in Iraq
    - Iraq projects have been successful

Civil Affairs Officers in the Army

- Mr. Natsios was one as a reservist
- Doctrines have changed
- There is a Joint publication that also explains how to work with NGOs
- The work of Civil Affairs Officers is often under rated but they are being used more and more
  - Most are reservists
  - If reservists are sent out too often, civilian employers complain
  - They have special skill sets that are needed for these projects
- Need to build links between the Army, the locals, and NGOs

7
If all the different groups are running their own programs in the field, it may be difficult to know who is doing what.

- There are five federal agencies involved in human trafficking elimination projects.
- Each had to approve the projects of all the others.
  - Caused a disaster because everything took so long to arrange.
  - Often did not agree about what needed to be done.

CERP (Commander's Emergency Response Programs) are like PRTs (Provisional Reconstruction Team).

- Local contractors can move more quickly.
- DoD talks to local leaders who say that they need something like a school.
  - So DoD agrees to build it.
  - No one talks to the education ministry about getting teachers/books/furniture.
  - Did anyone check to see if there are children in the town?

Using Development Theory, you don’t need to make the same mistakes all the time.

- The military is not set up for development.
- Save CERT funding by letting AID look at proposed projects.
- Experts, military and otherwise, should be humble when working outside their own realms.
  - Experts can be dangerous when not in their own disciplines.
  - Must get over the “colonels can do anything” belief.
- They can’t do brain surgery.

If it was simple to do development, we would have totally developed the world by now.

No one can just order that a country be modernized for it to happen.

Contracting

USAID does have competency in contracting but not enough contracting officers to handle all the projects.

- Amount of money available in contracts has doubled but number of contracting officers remains the same.
- USAID had done well and did get things done.
- How do you know that the right things are being done if you don’t have any engineers left to review what has been done?
  - Have hired outside experts for their skills in this.
- There is a move to stop USAID from contracting – a bad idea.
  - Must have a narrow focus or you get conflict of interest problems.
  - If you hire a contractor to design a project, they won’t be able to bid on carrying it out.
    - But their friends will be able to.
- USAID no longer has people who can design projects.
  - All the field officers are kept busy collecting data to show how well things are going.
    - Can be destructive.
    - AIDS projects in Africa were required to collect a great deal of individual information on the 2 million people the projects were helping.
      - All of the information (names, histories) had to be sent on to Congress.
      - Did anyone really read it?
  - Regulators are driving these data collection efforts but don’t understand what is involved.
    - They should all work in the field for a couple of years to appreciate the problems.
    - Then they can tell people what to collect.
- USAID needs many more people to handle contracting.
  - There are only 125 people who know how to design projects and then manage them.
  - Justifications must be written in so much detail that it can’t be stopped during a war.
- Contracting officers work better/are more satisfied when they are connected to their projects.
  - They are gratified when they see children being vaccinated through their projects.
  - However, such arrangements are not cost effective if looked at only along an economic scale.
  - Morale improves when contracting officers are collocated with their project areas.
- Managing by units of work and not regional orientations may be helpful.
  - Studies showed that there were huge imbalances in the amount of work that had to be done by different units.
  - When those differences were highlighted by listing workloads on a board, those with less work volunteered to help those units who were overloaded.
USAFRICOM
It could be successful five to ten years out
- Hiring hundreds of development people out of college to run projects but control may be a problem
- There is no confidence that the US is fully involved in Africa
- It would help if AFRICOM does not annoy the development community before they get to Africa
- US has a history of high approval ratings in Africa – around 90%
  - Based on a lot of different programs that have helped
  - AFRICOM could make things worse
  - Except for Liberia, US has no colonial relationships with Africa
    - So US is not expected to act as a colonial power
- DoD comes with a big footprint
  - They must make careful that they don’t damage anything there

Development Models and Institution Building
- Some countries in Africa have strong institutions
- Need to test different techniques for development
  - If something works, try it a little more
- Biggest program that has helped Turkey since World War II involved sending thousands to US schools
  - All went to the same few schools with same few teachers
  - Once they went home and had government or other positions, they could easily work together
  - Program was cut since it was determined in Washington that there was no way to show results in a year or two
- There may be only empirical evidence that such programs produce pro-American attitudes
- Need to have conversations about this but USAID is now so weak now that it can’t
- People are not willing to try innovations if they think it might hurt their careers
  - Much like military advancement systems
  - Result is they do more services delivery rather than institution building because services delivery is more quantifiable
- Field officers must work closely with locals to avoid having all decisions made in Washington

Branding Campaign
- USAID added a stylized red, white, and blue handshake logo to everything it did in the early stages of its work in Iraq
  - Concept goes back to the Marshal Plan
  - Also added a tagline – From the American People (written in local languages)
  - Even developed a branding manual of where, when, and how to use logos
  - 50,000 huge stickers were printed and used on everything
- Concept was also used in Indonesia related to its help with earthquake recovery there
  - Before the earthquake US had only a 26% approval rating there
  - Bin Laden’s approval rating was much more favorable
  - After the earthquake aid, bin Laden’s rating went down and the US rating hit 60%
- Bin Laden learned his lesson and had people show up first after the Pakistan earthquake
- In Palestine few people knew what the USAID did there until the branding operation
  - US approval rating went from 5% to 55%
  - Locals could see that USAID was everywhere by making it visible
  - Also used TV and radio to get the message out
    - That meant the message went even further in the Middle East
    - US approval ratings in Saudi Arabia went from 6% to 33% even though the advertising and aid efforts were not targeted at the Saudis
    - Ads were always simple and talk about things like clinics or clean water, etc.
- NGOs that received some of the logo materials were upset at first because they feared being targeted
  - No incidents have occurred
  - Might have happened if flags were used – too much in-your-face
  - Red, white and blue stylized stars and stripes was enough to get the message across quietly
- Reactions to such USAID efforts might not show up well in government audits
  - Part of Soft Power
  - Public diplomacy can be most effective – it can’t promise anything but improvements can be seen