

Correspondence

Editor's note: The critique of United States aid policy by Peter J. Stavrakis in our last issue generated considerable controversy and attention. The editors received numerous responses from current and former contractors with the U.S. Agency for International Development (USAID), but only one contractor, the ARD/Checchi Joint Venture, requested to respond for the record. The less than civil conduct of other USAID contractors who disagreed strongly with the article has been duly noted. We hope our continuing look at Western aid programs will help continue the dialogue.

To Dr. Stavrakis:

I wanted to compliment you on your article, "Bull in a China Shop: USAID's Post-Soviet Mission," which recently appeared in the Spring 1996 edition of *Demokratizatsiya*. As the Assistant to the Coordinator of U.S. Assistance to the former Soviet Union and the day-to-day manager of the effort during the Bush Administration, I can attest to more than one case where USAID's bureaucracy was unable to provide the vision and leadership that the implementation of a large U.S. assistance program to the new independent states [NIS] urgently required. In testimony before Congress, I continue to reiterate my belief that USAID's bureaucratic approach to foreign aid and its circle of parastatal contractors are no longer an effective means of channeling foreign assistance in the post-Cold War environment.

While I support the general theme of your article, it seemed to me that the discussion became a bit too focused in detailing the plight of one USAID contractor. It did not sufficiently emphasize the broader and, to my mind, the more serious, foreign policy implication of USAID's inadequacies in the former Soviet Union. Faced with a rising wave of anti-Western sentiment and an uncertain outcome in the upcoming Russian presidential elections, the Clinton Administration (through its bureaucratic vehicle, USAID) is unable to meet broad U.S. policy objectives which could be served through the provision of appropriate assistance to the NIS. For U.S. foreign policy, this is the real tragedy of USAID's odyssey in Russia and the other new independent states.

Again, I applaud you for raising important issues in your article that should be of serious concern to those in the administration who deal with U.S. foreign assistance.

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To the Editors:

I read with considerable interest the article by Peter J. Stavrakis in the Spring 1996 *Demokratizatsiya*, titled "Bull in a China Shop: USAID's Post-Soviet Mission." Many of the observations concerning the work of the U.S. Agency for International Development deserve further discussion. However, I am limiting my comments to observations concerning the actions of ARD/Checchi, of which I am President of the Board of the ARD/Checchi Joint Venture holding USAID contracts for work in the NIS.

1. Professor Stavrakis states that "Major contractors such as . . . ARD/Checchi . . . have all taken care to bring onto their staffs former USAID employees." In fact, none of the ARD/Checchi staff stationed in the NIS have ever worked for USAID previously. All speak Russian and have had previous work experience in the countries of the former Soviet Union. The staff of the Rule of Law Consortium in Washington included two prominent U.S. academic individuals with established international reputations for their work on the legal systems of the Soviet Union as well as experienced lawyers who speak Russian and have had previous experience in the Soviet Union. Only one of the positions on the Washington-based staff of the Rule of Law Consortium—that of Project Manager—was filled by a person who previously worked for USAID, and this was highly appropriate given the duties of that position.

2. In discussing the award of the Rule of Law contracts in the NIS in 1993, Professor Stavrakis states that "predictably, the big winners in the Rule of Law competition—ARD/Checchi and [another organization]—were familiar faces at the USAID trough, with seasoned agency veterans on staff." In fact among the combined ARD and Checchi home-office staffs of 70 people, only one person had worked for USAID previously, and he had left its employment in 1985. The implication that we won this competition because we had agency veterans on staff making our case is hardly true. Moreover, as is clear from the size of their home-office staffs, neither ARD nor Checchi is a Fortune 500 company. We had to pool our resources to meet the demands of preparing a response to USAID's request for proposals (RFP). We won the Rule of Law contracts because we placed high importance on and invested an extraordinary amount of effort into preparing the best possible response in a relatively short period of time. The competition was open to all.

3. Professor Stavrakis asserts that "applications for funding typically bristle with name upon name of prestigious organizations, firms, or individual specialists purportedly affiliated with the proposed request for funding. . . . Yet, many of these organizations or individuals are never contacted again by the successful contractor following the receipt of funding." In a footnote, Professor Stavrakis states that "this has been the case with the author, as well as with several colleagues and organizations with whom the author has had contact." Professor Stavrakis speculates that this situation is the result of "either a sophisticated version of 'bait-and-switch' . . . or reflects the impact of USAID's tight time horizon on RFPs, which forces applicants to throw in proposed subcontractors before anyone can determine what each of them will do." In fact, the ARD/Checchi proposals contained a large number of individuals and resource organizations because the RFP required the winner(s) of the contracts to prepare action plans thereafter for review and approval and to be able to respond to changing circumstances over the expected five-year life of the contracts. Thus, it was necessary to make contact with a wide variety of sources of expertise to be called on depending on the evolution of the program being supported. Only a

very few of the organizations were pre-identified as formal subcontractors. Numerous individuals and organizations have since assisted with the ROL projects, where appropriate to the program that eventually developed.

It is important you be aware that ARD/Checchi (after substantial internal debate) proposed Professor Stavrakis to be its chief of party for the USAID rule of law contract in Central Asia, one of the four proposals that we submitted under this program. This competition was the only one of the four that ARD/Checchi was not awarded, and we therefore did not have the opportunity to hire Professor Stavrakis. Thus, there was no occasion to use his services. In all cases, agreements with proposed staff and consultants included the understanding that the contracts had to be won and specific staff assignment decisions, consultants, and activities had to be subsequently reviewed and approved by USAID. We find Professor Stavrakis's comments on this matter to be misleading at best.

We also found a number of substantive points in the article that we believe are of questionable merit—for example, the point regarding the relationship between formal institutions and civil society (page 261). Should anyone wish to explore this matter further, please contact Dr. Mark Koenig, who helps support the Russia program from the United States.

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Dr. Stavrakis responds:

The ARD/Checchi Rule of Law Consortium's response raises several points worthy of mention. At the outset, however, I wish to express my deep appreciation to ARD/Checchi for the civil and professional manner with which they have chosen to take issue with me. Some critics my article have behaved far differently. My thanks, then, to ARD/Checchi for responding to the article in a way that demonstrates their own commitment to creating a more effective U.S. foreign assistance policy.

Before turning to the specific questions raised by Dr. Burrill, I wish to set the record straight regarding a footnote (No. 33) that mentioned the International Research Exchanges Board (IREX). According to IREX, the USAID Institutional Partnerships Program was not awarded to IREX through a closed competition, but was the result of a bidding process that included seven other applicants.

On a more general level, I want to be clear that I have tried to keep USAID as my principal focus of analysis, and *not* the community of contracting organizations. Central to this is the contention that AID structures and practices often compel contractors to behave in a less effective manner than would otherwise be the case. Regrettably, USAID practices make it extremely difficult to analyze the agency's behavior without involving contractors to a considerable extent. In all such cases my sympathies are, on balance, with the contractor. Indeed, I must confess to a certain admiration for those organizations that risk a bureaucratic quagmire in the hope of positive achievements. Even so, it bears mention that the ARD/Checchi Joint Venture had ample warning of the

problems they were likely to encounter in dealing with USAID—warnings it evidently did not heed.

ARD/Checchi's claim that there is only one Consortium member on staff with USAID experience is heartening, but the high rank of such an appointment—Project Manager—indicates that in qualitative terms, previous USAID experience is immensely valuable for prospective contractors. The general thrust of my observation, however, was clearly focused on the broader theme of the relations between USAID and the contractor community, a topic which has already produced extensive literature.

On the issue of soliciting the participation of expert organizations and individuals, it appears we are more in agreement than not. Dr. Burrill correctly cites me as speculating that the situation can be accounted for in one of two ways. His subsequent explanation, however, confirms that it is the latter. He noted that ARD/Checchi had to prepare its proposal "in a relatively short period of time," and was obliged by the request for proposal (RFP) to anticipate "changing circumstances over the expected five-year life of the contracts." Since changes in the new independent states occur almost daily, this is practically impossible, so I can appreciate a potential contractor's need to augment its reservoir of human resources to deal with any eventuality.

I do not know quite what to make of Dr. Burrill's reference to ARD/Checchi's proposing me to be chief of party for its rule of law contract in Central Asia. Presumably he had in mind the footnote (he refers to it in the previous paragraph) in which I cite my own experience in not being contacted by a successful contractor. But this occurs in a paragraph that makes no mention of ARD/Checchi—and with good reason, for I was referring to my experience with an entirely different contractor. I hope this helps clarify what appears to be a misunderstanding.

Finally, I want to thank Dr. Burrill for taking issue with me on the relationship between formal institutions and civil society, because I believe the task of clarifying our conceptual understanding of societal development is at the heart of any serious effort to redirect U.S. resources toward the development of free market societies. There is burgeoning literature on the topic of civil society, and the precise lines of causality are far from clear.

Any future discussion of how to craft a more efficient assistance bureaucracy will unquestionably benefit from the practical experience of Dr. Burrill and his colleagues in the challenge of implementing transition strategies in the new independent states. I look forward to their contribution to this continuing public debate.

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