

Bull in a China Shop: USAID's Post-Soviet Mission

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In the wake of the Soviet Union's collapse, a great deal of ink has been spilled on the subject of American assistance to Central and Eastern Europe and the Newly Independent States (NIS). The inevitable decrease in the flow of U.S. assistance dollars to that region of the world, as well as the success of the U.S. Agency for International Development (USAID)—for the moment—in resisting congressional efforts to eliminate it,¹ has done little to diminish the lively and intense debate between supporters and opponents of the effectiveness of continued aid programs to the successor states that have replaced America's Cold War nemesis. The December 1995 parliamentary elections in Russia will only provide more fuel for the controversy, as the fragile electoral democracy that has emerged there has become a vehicle by which state and society have expressed a strong preference for the return of authoritarian institutions. Should this transpire, the opportunity to move Russia decisively away from its autocratic past will have been lost, perhaps for several generations, and it is legitimate to inquire whether American assistance played a role in bringing this unfortunate result to pass.

Foreign assistance to Russia and other Newly Independent States is merely the starting point, however, for a much broader analysis, for the bureaucratic structures responsible for administering America's aid effort are linked to questions transcending the Cold War and penetrating the heart of contemporary debates on the competence and objectives of government institutions. Similarly, America's NIS experience provides an opportunity to assess the relevance of the developmental ideology animating America's global assistance vision, which has remained surprisingly static for much of the past three decades.

These larger considerations explain the sustained interest in foreign assistance: unlike other controversial programs in the U.S. budget, money is not the main concern (though both sides in the debate often try to portray it as such). The funds set aside for NIS assistance—approximately \$640 million in the current fiscal year—are a minuscule portion of the total U.S. budget, and are dwarfed by the sums set aside for aid to Israel and Egypt. Rather, the aid debate is principally about eliminating bureaucratic sources of waste and inefficiency, and there is growing evidence that USAID—America's flagship bureaucracy for administering aid—has failed to achieve any significant results in the NIS, at times even compromising America's image abroad. This has convinced policy-makers and academics alike that AID and the American approach to assistance are overdue for major reform.

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In this respect, Russia and other successor states have inadvertently done the United States a great favor by exposing the fundamental incapacity of USAID to achieve assistance goals that promote American interests abroad. The lesson to be drawn from USAID's encounter with the NIS is that reform is insufficient; if America aspires to provide assistance that promotes the development of free-market, civil societies, there is no alternative to eliminating AID and replacing it with a leaner, more efficient and competent structure. There have been numerous proposals for and attempts at reform—even abolition—of the agency in recent years, the most visible result of which has been the creation of the Office of Coordinator of Assistance to the NIS within the Department of State.² But it has still proved onerous to hold AID accountable for its actions or enhance the effectiveness of its performance, making reform of U.S. assistance practices a recurrent theme in congressional politics.

Defenders of AID often attempt to blame the failure of foreign assistance in the NIS on the alleged uniqueness of these societies and the problems they presented the West.³ A closer look back at the history of AID's involvements in other areas of the world, however, reveals that many of the same wasteful pathologies present in AID's post-Cold War efforts had their precursors in earlier programs in Asia, Latin America, and Africa. But earlier criticisms of AID's activities on other continents never acquired sufficient persuasiveness—or political force—to compel an examination of the agency's structure and operations.⁴ Regrettably, the assistance failures in these regions of the world were tolerable so long as some marginal successes remained and domestic contractors got paid, meaning that all the criticism of U.S. aid programs never really mattered—until USAID attempted to work its familiar assistance magic on a state with strategic nuclear weapons. Russia was not the first instance of AID's failure; it was merely the first the United States could not afford to ignore.

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Before proceeding into an examination of the fatal flaws within USAID, several caveats are in order: first, this is emphatically *not* an isolationist polemic that advocates America's abandoning its efforts to assist the cause of democratic and economic reform in the former Soviet Union. The problem is not with aid per se, or with the broader assistance objectives, but with the institutional mechanism that America relies upon to implement its policies. To put it simply, AID does not work and has not demonstrated an ability to produce the strategic vision required to guide assistance efforts in the Newly Independent States.⁵ Bureaucratic pathologies are the core problems determining the budgetary debacles that have marked America's foreign aid program, making the replacement of AID with an agency capable of identifying realistic and useful assistance programs the immediate task of the United States. There is a risk that in taking this step under present congressional conditions, funding for foreign assistance might disappear entirely from the budget; but given the poor results that have been produced in the NIS to date, it has become a risk worth taking.

Second, it is important to note that, despite the general failure of USAID to implement successful assistance programs, there have been some successes in the former Soviet Union. But these have been outweighed by the much larger number of programs that have either failed to accomplish anything or, still worse, were ultimately harmful. This situation is recognized even within the AID bureaucracy, as reflected in the recent comment by a senior AID official who noted that the irrelevance of USAID's programs might not be such a bad thing, because then the agency could do no more harm in the NIS.⁶ The key to success for AID-funded programs appears to be that, upon receipt of funding, contractors operate independently of AID administrative constraints.

Finally, some might question the recommendation to abolish USAID as extreme or overly hasty, preferring instead an intermediate reform option that produces an ostensibly "reinvigorated" AID. In their defense, senior AID officials have attempted to cast the problems of foreign assistance as a function of the need to adjust to post-Cold War priorities. USAID Administrator Brian Atwood and Deputy Administrator Carol Lancaster have argued, for example, that United States aid programs must now promote "sustainable development" in response to "complex crises" that bring with them a tangle of interrelated economic, political, and environmental problems.⁷ Yet for all this attention to "sustainability," AID programs have

failed miserably in helping NIS states develop the limited, competent administrative institutions that are essential for the breakthrough to civil society. In Russia, AID has expended vast sums of money to help develop a party system,

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even as the government remains a chaotic welter of overlapping—and conflicting—bureaucracies, without a civil service. Similarly, AID places great emphasis on developing "rule of law" in Russia, yet no program aspiring to this laudable goal has yet tackled the central problem: the need to build trust in and respect for the law, without which any institution-building project in the legal field is bound to fail.

But perhaps it may be possible to resolve the problems in America's foreign aid program through a reform of AID practices, the repackaging of programs and the replacement of personnel?⁸ This would be worthy of consideration were it not for one basic fact: the roots of AID's ineffectiveness are structural in nature. No amount of competent personnel can overcome the bewildering internal practices and stultifying development world-view that are the hallmarks of USAID. Government agencies also possess remarkable tenacity in resisting change or reducing reforms to a mere reshuffling of bureaucratic boxes. Abolition creates an important window of opportunity during which structural changes can be introduced before the natural conservatism of bureaucratic institutions takes hold, making it the desirable alternative when organizational problems extend deeper than the level of policy. AID is no exception in this regard, and a piecemeal reform will have two related variants: either the same faces and practices will be located in different places within an already incoherent bureaucracy, or new individuals will be placed in dysfunctional structures, compromising their ability to make important changes within the agency.

Perhaps not surprisingly, some senior AID officials have already concluded that it would be best to dispense with the agency. Shortly after U.S. Senator Jesse Helms put forward his proposal for merging USAID (as well as the U.S. Information Agency and the Arms Control and Disarmament Agency) into the Department of State, one USAID official reflected that the Helms proposal was "rational."⁹ Later in 1995, after the House of Representatives had voted in favor of the consolidation proposal, another AID official reflected that it probably would be best if the agency were absorbed into the State Department, because AID was now such a pariah organization that no one else in government would work with it.¹⁰

The 1995 parliamentary elections have signalled the acceleration of political change in Russia, leading to a society fundamentally different from that envisaged by American policy only four years earlier. This raises the question as to whether any type of foreign assistance can still prove beneficial to the NIS. The June presidential elections—should they be held—will provide greater clarity, but there are still grounds for pursuing a carefully-targeted assistance program. First, regions have become increasingly important in the Russian political system, and regionally-based assistance programs may still help speed the political decentralization required to promote limited government. Second, promising assistance opportunities remain in other successor states—particularly Ukraine—and it is in America's interest to promote a stable, independent Ukraine. But these are opportunities that can be realized only with a new foreign assistance mechanism, staffed by personnel familiar with the region and capable of responding quickly to assistance needs. Opportunities for promoting the development of free markets, a more liberal trade regime, the consolidation of political reform, and an improved security climate may have diminished in the NIS, but to the extent that they might remain, there as elsewhere, American assistance objectives can best be promoted by a bureaucracy embracing the following criteria:

Lean and competent bureaucratic structure. Promoting limited government via a large and byzantine aid bureaucracy sends the wrong message. Moreover, personnel must have area knowledge required to make intelligent choices in a complex and rapidly changing political environment.

Strong performance record. Effective assistance must be visible through successful projects (which include the NIS public's perception of U.S. assistance) supported by U.S. funds.

Accessibility. Foreign aid programs must provide equal access to America's individual and institutional resources, thereby tapping the rich array of resources in U.S. communities. A level playing field makes best use of America's foreign aid resources.

Broader social impact in target society. Staff and programs must promote a positive image of the United States beyond immediate targets of assistance, and be prepared to cope with the painful and dislocative social impact that accompanies reform. Americans need to be able to reassure reforming societies—in ways they can understand—that the long-term goal is worth the current sacrifice.

Strategic vision. Aid must reflect a coherent conception of sociopolitical reform, which is comprehensible to citizens of the target society. Without this, it is impossible to convert doubters into supporters of the transition.

Independent evaluation of USAID's performance has always been difficult to accomplish, for there is little standardized data available that can shed light on the agency's performance. There are important reasons for this state of affairs,¹¹ not the least of which has been that most U.S. contractors—who privately share scathing criticisms of USAID practices—are reluctant to go on the record for fear that it will jeopardize their chances for future assistance contracts. An April 1995 conference on Western assistance to Central and Eastern Europe and the former Soviet Union is a case in point.¹² When USAID was the focus of discussion, virtually none of the participants (an audience composed of government and private assistance providers) engaged in even the mildest criticism of the agency's performance. The lone exceptions were congressional staffers working on committees seeking to eliminate USAID, and some East European representatives, whose countries succeeded in reform without reliance on foreign assistance. The informal discussions following this, however, revealed an almost universal disdain for AID's performance.

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Participants' fear that their frank assessments would cost them further grant opportunities profoundly altered the content of public discourse about AID. And this fear is well-founded: Health Enterprises International (HEI), which is wholly dependent on USAID funding, recently ceased operations because, according to a source familiar with their operations, "HEI bumped heads with AID and went out of business."¹³ Tragically, solutions to America's foreign assistance problems cannot be examined because many experts are afraid to discuss the problems.

The available information about USAID programs is therefore anecdotal, but this does not mean it is without value. Nearly four years into America's assistance program in the NIS, sufficient anecdotes have accumulated to produce a picture of USAID—and it is not a pretty sight: bureaucratic pathologies, lack of vision, ineffectiveness, waste, and plain ignorance are the themes that run through USAID's experience in the NIS. Foreign assistance can play an important role in promoting America's interests but at present we are—with rare exception—paying for USAID to contribute to a negative image of America abroad. But in failure there lies opportunity; for the United States now has a chance to clean its own bureaucratic house. Seizing this opening to demonstrate the seriousness of our commitment to eliminating unnecessary bureaucracy may have a salutary impact exceeding that of any assistance program.

USAID's Impact in the NIS: The Danger of Innocents Abroad

The Soviet Union, especially in the last years of its existence, was a monument to hypocrisy: government existed, yet everyone knew the Communist Party held real power; laws existed, but it was always clear that their application was never impartial; and a state bureaucracy existed ostensibly to serve society, though in reality this relationship was reversed. In sum, communism was not merely a lie writ large, but a pernicious force

that sapped the life and credibility out of every institution necessary to sustain civil society. The reconstruction—or creation in some cases—of these institutions and the restoration of the public trust are assistance objectives of the first order, which arguably were embraced by USAID's goal of building "civil society." But by virtue of its experience in the last seventy-five years, the post-Soviet population is deeply suspicious of any offers of assistance in creating democracy. Consequently, it is absolutely essential that USAID personnel behave in a manner that demonstrates they are, indeed, different from the incestuous mixture of state, party, and personal connections that characterized the Soviet Union: the assistance program must be impartial, dispassionate, and clearly adhere to all legal norms.

Regrettably, USAID's performance here has been deeply flawed, with the result that many reform-minded ex-Soviets quickly concluded that the new boss was pretty much the same as the old boss. This manifested itself in numerous ways at all levels of the assistance effort. In August 1995, a

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member of the USAID Moscow mission, while waiting in line at Dialog Bank in Moscow, explained to her new Russian interpreter how she should pay for a cake for a party later that day: She should go and buy a *tort* (approximately \$5) and then write up the receipt as cab fare, because "that's the kind of expense the American taxpayer [will] understand."¹⁴ The result: one more Russian learned that

America will tolerate falsifying documents; how different can that be from cooking the books to meet the plan quota?

USAID personnel knew little of the NIS, something they attempted to remedy by hiring foreign nationals to work in the missions. But this was quickly seized upon by local organizations as a means of influencing the contract process. The Kennan Institute in January 1995 was awarded \$1.44 million for a USAID Institutional Partnership with a promising Russian educational organization, only to find that its partner—The Moscow School of Political Studies—used a Russian acquaintance in USAID Moscow in a heavy-handed attempt to "reprogram" nearly 50 percent of the budget to suit its tastes. If successful, this would have left the Kennan Institute with no control over program spending, yet with all of the accountability. The institute subsequently turned down the award, but not before a *second* Russian institute offered to take over as in-country partner. And what gave the second institutional suitor such confidence that this could be done? They had "their own" people in USAID Moscow who were higher than the Moscow school's advocates in USAID!¹⁵

Russian organizations quickly realized through such experiences that USAID was so reliant on foreign nationals that it was effectively rudderless in the chaos of Moscow, so the privileged few organizations with this access acquired a critical edge over their competition. Less fortunate Russian reform organizations soon realized that success in getting American

assistance dollars rested less on merit and free competition, than on having a friend in the mission.

This was not unique to Russia by any means. In February 1995, when a group of Ukrainian "academics" participating in USAID's NIS Exchanges and Training Project (NET) paid a brief visit to several Washington-area academic research institutions, it quickly became apparent that several members of the delegation were not scholars interested in learning about Western research institutes, but Ukrainian government officials who, upon learning of the chance for a "free" trip to the United States, imposed upon their contacts in the USAID mission in Kiev with the request to be added to the trip. USAID Kiev complied, forcing the U.S. contractor running the program to make last-minute travel arrangements. Shortly after the delegation's return, one of the non-academic participants was placed under house arrest by the Ukrainian government.¹⁶

The overly cozy relationship between USAID personnel and contractors in the U.S. private sector is also not lost on Russians as they observe the American assistance program. The crisp bureaucratic distinction between government organization and private contractor, essential for maintaining the integrity of the grant process, has been replaced by a porous boundary across which AID personnel move effortlessly into the realm of contractors. Consequently, a career path is established whereby USAID contract administrators later move on to become program officers for private contractors—and often run the programs they supervised when at USAID. Major contractors such as the Research Triangle Institute, ARD/Checchi, and the Academy for Educational Development, to name but a few, have all taken care to bring onto their staffs former AID employees.

In fact, USAID personnel have become vital pivots in a system by which contractors with no experience in the NIS have been able to "retool" themselves and receive major awards for assistance projects there. The logic that emerges from this could only be the product of a bureaucratic nightmare: to improve chances of receiving NIS assistance money, contractors add staff who know USAID but little or nothing about the target countries. The Foundation for the Peoples of the South Pacific, for example, sensed the change in funding patterns and underwent a quick facelift. It added a former USAID deputy assistant administrator, renamed itself Counterpart, and secured AID funding for a project on Ukraine. But due to its unfamiliarity with NIS terrain, Counterpart blundered when it hired a former CIA official, thereby damaging its relations with the Ukrainian community.¹⁷

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From the Russian perspective (and perhaps from others as well), this chumminess conjures up a familiar image from the past where distinctions between state and social organizations were meaningless. And this is not far from the mark; for what actually exists is a self-enclosed "assistance community" that cuts across all the institutional barriers presumed essential for a civil society. Four years into the U.S. assistance program in Russia, the mention of "conflict of interest" will doubtless be the occasion for knowing

smiles or cynical grins from Russians; for they have seen USAID and American contractors and subcontractors at work and know that, just as it was in the Soviet Union, everything is a part of everything else. Russia, it seems, has changed USAID and not the reverse.

Assistance is most damaging, however, when it blatantly undermines the very principles the United States publicly espouses as essential for Russian society. In particular, USAID (as well as other assistance providers) has seemingly ignored the negative consequences of government assistance on the development of a robust free market. Several Russian academics, for example, confronted with the collapse of the Soviet Union's educational system, took the bold leap into entrepreneurship by starting their own businesses in Moscow. They did well initially, making a profit by providing planning and architectural services to regional and local governments—until Western assistance entered the picture. Now, USAID and the World Bank provide foreign consultants to perform the same services at little or no cost to regional governments, driving these Russian entrepreneurs out of business. What sort of “market” is it, they demanded to know, when private firms must compete with consultants who are 100 percent subsidized by foreign government (or multilateral) agencies?¹⁸ Perverse as this outcome may seem, it gets still worse, as private NIS firms are then forced to choose between producing for the market or working for foreign assistance dollars.

United States assistance to Russia has been further compromised by the tendency of USAID programs to fund Russians who look, act, and speak like Westerners. This self-selection has created a cohort of NIS aid recipients who are the “poster children” of the transition: fashionably attired English-speakers (often fluent), with a surpassing knowledge of the assistance vernacular. Residence abroad and experience in international travel are also important features of members of this group, as they “show” much better as examples of program success on their numerous sojourns to the United States. This is superb for presentational purposes in America but, as anyone who has spent time understanding Russia soon realizes, these privileged individuals have little in common with the ordinary Russians who should be the real targets of a serious assistance program.

More importantly, this preference for selecting people who “look like us” severely reduces the potential benefits of aid programs by reinforcing the fundamental division in Russian national identity between “Westerners” on the one hand, and “traditionalists” on the other hand.¹⁹ Beyond their greater suspicion of Western motives, members of the latter category are distinguished by preference for Russia and its culture relative to any European alternative. In our desire to transform Russia, we have mistakenly equated the former with “pro-reform” and the latter with “anti-reform” positions, making it virtually impossible to conceive of a pro-reform Russian nationalist. USAID's activities have faithfully reflected this division by promoting recipients from the “Westerner” group, producing three negative results: (1) Western-orientated Russians, by virtue of their affiliation with the West, have little need to be persuaded of the benefits of reform, and usually possess the ability to find alternative sources of funding for their activities; (2) Russians of a non-Western bent yet interested in reforming their country are frequently overlooked, giving them good reason to despair of American assistance and the values it aspires to promote; and, (3) The few promising “traditionalist” aid recipients are forced to choose between

embracing reform (thereby alienating themselves from their own society), or withdrawing from association with the West.

Finally, in the wake of the Cold War, USAID personnel have slipped into an illusory "same team" mentality, where basic contradictions and enmities between social groups and different societies have either disappeared, or can be set right with liberal doses of dialogue. But the insecurity that inevitably follows collapse has made social relations in the NIS more sensitive, rather than less, leaving objectivity and impartiality as little more than ambitious hopes for the future. The decision to bring foreign nationals into an AID mission may be perfectly sensible from a practical point of view, but it overlooks the intense competition taking place within the NIS for U.S. assistance.

A position in the AID mission gives a foreign national power (perhaps more than might appear to be the case) to affect the selection and evaluation of organizations. In January 1995, for example, a Russian national working in USAID Moscow used his position in an attempt to persuade USAID Washington to transfer program control in an institutional partnership from the American to the Russian organization. Later in the year, USAID Moscow personnel had difficulty understanding why Russian political parties, funded in part by an AID program for building independent political organizations, balked at the prospect of being evaluated by a member of Prime Minister Viktor Chernomyrdin's *Nash Dom Rossiya* party, who requested access to the organizations' membership lists.²⁰

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What explains this surprising naivete regarding the motives and intentions of foreign nationals within AID missions? One factor certainly stands out: in all of their contacts with foreign nationals, USAID staff have behaved as if they are working with people in an environment that has already completed its transition to civil society. This creates a false perception—perhaps politically necessary to put a good face onto an assistance misadventure—of foreign aid having powerfully supported the post-Soviet transition. Reality is far more sobering, for the end of communism only began the long and difficult process of transition; old attitudes and institutions remain to challenge those who presume to change Russia overnight. That USAID was unprepared for this eventuality guaranteed it would sow a legacy of disappointment in the NIS.

Russia in 1996 is moving away from Western values, absorbing the institutions associated with capitalism and democracy into its own, unique brand of parliamentary byzantium. USAID's failure to cultivate links with reform-orientated "traditionalists" has made it painfully clear that America is poorly positioned to develop durable ties within a post-Yeltsin government. In this respect, given the importance of the U.S.-Russian relationship, USAID has harmed, rather than helped, America's national interests in this crucial part of the world.

Bureaucratic Pathologies: Structure, Personnel, and Practices

The principal cause of the Agency for International Development's failure to achieve significant and durable results in keeping with the objectives of American foreign policy can be found in its striking resemblance to the very same communist institutions the assistance was designed to replace. More precisely, USAID is America's Gosplan: a large, ponderous, overly-demanding, and somewhat dim bureaucracy, whose strength rests on its ability to reward those willing to put up with its directives. This is more clearly reflected through an examination of three intertwined elements of organizational performance: ideology, personnel recruitment, and organizational practices.

Ideology

The Agency for International Development's creation in 1961 coincided with an era when state-led development appeared to be the only means by which newly independent countries could make the breakthrough to sustainable economic growth. This proved a decisive factor in imbuing the new agency with a mission for government-led assistance programs. The realities of bureaucratic politics coincided with the period of USAID's creation to produce an organization that laid claim to the abstract specialty of "development." This seemed a sound choice, for optimism prevailed in the 1960s that a comprehensive understanding of the process of social and economic development was within our grasp.

It is surprising, however, that little attention has been paid to the fact that Western theories of social development were not simply the products of scholarly reflection, but emerged in part out of a need for the United States to respond to the popularity of Marxist-Leninist ideology among post-colonial societies. To a world of states in Africa and Asia emerging from colonial rule and facing the challenges of ethnic conflict and economic development, communist ideology offered a seductive vision of Soviet success. America countered this ideological attack with its own variant of non-communist development theory, and even offered its generous assistance—spearheaded by USAID—to states embracing its vision of social progress.

USAID was therefore a creation of the Cold War—the institutional embodiment of U.S. -Soviet rivalry in the developing world. But the Cold War is now gone, and the enthusiasm for placing societies under the lamp of universal social processes has lost its allure in recent decades, replaced instead by a greater appreciation for the role of cultural variables in the development process. The dynamic of history has moved beyond the Cold War, provoking a serious crisis within USAID because it must now—in the absence of the conditions that justified its existence—dispense with a "pure" development ideology and undertake the corresponding personnel and institutional changes. This effectively entails the elimination of the agency, so it is highly unlikely to choose this course without the intervention of either Congress or the president. Instead, USAID has elected—in the grand tradition of every bureaucracy seeking to survive beyond its mandate—to undertake minimal reform and hope to weather the storm of criticism that presently surrounds it. This result is indeed perverse: the effort to move NIS states in the direction of free-market democracy is being implemented in the most inefficient, heavy-handed fashion by a bureaucratic relic of the Cold

War. The significance of this is not lost on Russians and citizens of other NIS states.²¹

Personnel

The unique development ethos of USAID also manifested itself in a second problem area: personnel recruitment. The number of AID cadres—approximately 10,600—is staggering for a bureaucracy that touts its small budget and certainly suggests inefficient use of personnel. And this figure does not include an additional 10,000 workers who are indirectly employed by USAID through the dense network of contractors and subcontractors concentrated largely in the Washington area.²² More importantly, staff in the Washington office are virtually impossible to get hold of, except for regular consumers of AID funds, making entry into the world of assistance prohibitive for many promising organizations. Personnel at overseas posts, particularly in the NIS, present much the same picture: staff are in abundance (in 1995, there were more than 350 staff in AID's Moscow mission alone), yet they are remarkably difficult to reach, even for prospective recipients of assistance.²³ Why is the staff so large, and why are they typically unable to provide useful assistance or advice?

Part of the answer certainly comes from the inordinately high number of political appointees in USAID, which, as a percentage of total staff, is among the highest of any agency within the U.S. government. But most of the problem stems from the persistence of yet another artifact of a bygone era, the "career development officer." In keeping with an ideology that stressed the abstract, global nature of social, political, and economic development, USAID has recruited individuals with expertise in the science of development. Unswerving faith that history would soon wash away the unique and distinctive elements of cultures to reveal the universal processes of development permitted USAID to push aside area specialists—

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perceived as rank amateurs in diagnosing the development needs of individual societies—in favor of individuals focusing on aspects of social progress that supposedly mattered. A small army of development specialists thus entered the U.S. civil service and the "career AID officer" became a permanent fixture in the government bureaucracy.

But just as communist ideology mistakenly maintained that cultural distinctiveness and ethnic identity—mere superstructure—were irrelevant for understanding and assisting developing communities, so development theory soon floundered on the growing realization that economic and political progress can succeed only in the presence of an appreciation of the specific cultural setting. This was brought home even more forcefully in the NIS, as the problem here was transition from communism, as much as it was development. USAID, however, proceeded undaunted, substituting "transition" for "development," and sending field officers from Latin America, Africa, and Asia into the black hole of the post-Soviet Union. In sum, USAID's effort was carried out by people who, for the most part, were

ignorant of either the language or the culture (or both) of the society they came to help.²⁴

The explanation for this state of affairs is simple: agency staff were a product of the one entity that had remained unchanged since before the end of the Cold War—the AID bureaucracy. Mere reform of USAID practices would be insufficient to restore a U.S. assistance program on secure footing, for agency culture and recruitment practices persistently select individuals whose skills are of limited value in the post-Soviet era.

For all of this, one would expect USAID personnel to maintain a low profile and respond to criticisms by seeking opportunities to work with other agencies and firms that can remedy their weaknesses. In fact, the opposite is more nearly the case. USAID constantly complains that congressional “earmarks” and excessive oversight have reduced its flexibility and ability to respond to crises in the world. Yet, in reality, USAID has no greater restraints placed upon it than any other agency in the federal government. Most surprising, however, is the manner in which USAID disdains any other agency in the government that presumes to take on the weighty mantle of development responsibilities. AID Deputy Administrator Thomas Dine has publicly praised the efforts of Vice President Al Gore, affirming his belief that “the semiannual Gore-Chernomyrdin Commission (GCC) summits best illustrate how effectively the U.S. government can pull together to present a united front on . . . key issues in our national interest.”²⁵ But he is perhaps unaware that some parts of the agency look with contempt on the efforts of the GCC as amateurish intrusion into “their” territory. In mid-1994, for example, the Gore-Chernomyrdin Commission was the venue through which the Russian government expressed the strong desire to focus on health care reform. Six months later, this finally percolated through the USAID bureaucracy at a staff meeting of the agency’s health care section. The head of the health care section of USAID’s Russia bureau laughed at this suggestion being taken seriously, adding that “we’ll find a way to torpedo that,” referring to the U.S. vice president’s commission.²⁶

Focusing only on AID staff is too narrow, for it overlooks the growth of a much broader “assistance community” dependent upon established practices within the agency. Each contractor, be it another government agency or a private firm, must have its own cadres to manage relations with AID. These individuals, who write the AID grant proposals, harvest them, and subsequently manage them in tandem with USAID staff, are often the most prized individuals in an organization. AID is merely the tip of the much larger assistance community, in which the central positions are not those charged with maximizing program effectiveness in a foreign culture, but those most skilled at interacting with AID. Not surprisingly, these key positions in the private sector are held by former USAID program officers, whose chief value to contractors is their knowledge of the intricate AID bureaucracy. Hence, USAID personnel fan out into the private sector, blurring the distinction between public and private in a manner not unlike the fictitious division between Communist Party and government officials in the Soviet Union. Consequently, funds move from one organization to another but, in reality, AID is engaged in a dialogue with itself.

Organizational Structure and Administrative Practice

The structure and procedures for grant administration created by these conditions resemble a waterfall where funds cascade down from USAID in

multi-million dollar grants to contractors who then either divide the money into smaller sums and parcel them out to subcontractors, or work directly with NIS government ministries. At the bottom of this cascade stand the NIS organizations that collaborate with U.S. grant recipients. Situated throughout this structure are former AID employees, guiding the flow of funds into what are by now well-established channels. This multi-tiered funding structure requires resources simply to sustain itself, so it is not surprising that the largest portion of USAID grants are consumed by contractors and subcontractors alike as each establishes its own redundant network of in-country representation.²⁷

But this is only part of the picture; for USAID, like its unwieldy socialist counterpart, reserves to itself the right of final approval for every grant, no matter how small and regardless of whether it has already been approved by authorized contractors. Funding recipients at the bottom of this cascade-like structure, like salmon swimming back upstream to spawn, must therefore go through the tedious process of obtaining approval for their project at every level, all the way back to USAID. The result is a fastidious and mind-numbing process that is strikingly similar to the Soviet bureaucracy. One Russian organization, whose application was actively solicited by an ARD/Checchi subcontractor for USAID's Rule of Law Program in Russia, found that the grant approval process took more than a year, during which time this request was progressively reduced from \$60,000 to \$10,000. Ultimately, USAID Moscow rejected even this modest amount. The organization's director—a reformer to the core—was so disillusioned that he vowed never to deal with U.S. funds again.²⁸ And who can blame him? The textbook example illustrating the difference between the Soviet Union and America was that in the former, far-flung regions had to receive approval from Moscow for even the smallest purchases. USAID, it seems, has taken a page from Soviet history in its assistance practices.

Nowhere is the negative impact of USAID's structure and personnel more apparent than in the two crucial areas of grant administration and evaluation. Assistance is effective only through the impartial selection of projects with greatest promise for advancing American goals. Program evaluation, on the other hand, should be able to separate successful programs from failures, while providing useful information for making better choices in the future. This is rarely the case in USAID; instead, administration and evaluation are structured to reward familiar faces rather than good ideas. The predictable grant winners are major organizations with an established track record of winning grants from, and a proven institutional capacity for dealing with, USAID.²⁹ Hence, the agency's awardees look more like a list of the Fortune 500 than any serious effort to transform the NIS: KPMG Peat Marwick, Burson-Marseller, JP Morgan, Coopers & Lybrand, Bechtel, Price Waterhouse, Deloitte & Touche, The Academy for Educational Development, and so forth.

USAID complicates the application process, typically providing less than thirty days for prospective applicants to respond to its hastily-written Requests for Proposals (RFP).³⁰ This places extraordinary demands on the normally time-consuming process of grant-writing and contract negotiation, giving firms with a large pool of grantwriters and support staff a powerful advantage over smaller organizations, even though the latter are often far more flexible and competitive in the harsh environment of the NIS.

Smaller firms occasionally receive awards from USAID, but such successes come by diversion of all energy and resources into securing the grant, leaving little possibility of developing effective in-country operations. This results in a lengthy hiatus between the time contractors "break into" the AID bank, and the actual start-up of programs in the field. Given this pattern, small programs with extensive knowledge of and experience in the former Soviet Union are at a strong disadvantage in the chase for funds if they choose to stick to what they know best and the NIS needs most. The Transnational Institute in Vermont, for example, rarely possessed a staff larger than three or four people, yet the institute proved highly effective in running numerous education and training programs in the former Soviet

"... AID allocates monies prior to developing a clear conception of program objectives and the particulars of implementation."

Union. But the grants USAID doled out required far more time, energy, and personnel to deal with the AID bureaucracy than the Transnational Institute could muster, leaving it unable to compete with the mammoth assistance providers who routinely pulled in hefty awards.

Despite its notable accomplishments in Russia, the Transnational Institute failed to secure sufficient funding and ceased operations, a fate its larger competitors need never fear.³¹

To add insult to injury, USAID has a penchant for running "closed" competitions, where it preselects a short-list of organizations to receive RFPs, effectively eliminating any chance of a fair and open competition for the best possible program. In the area of NIS health care reform, for example, USAID recently approached three organizations and solicited their applications for a \$7.7 million RFP. Two of these potential contractors responded favorably, but when word of the closed competition leaked out, other prospective health care organizations cried foul. USAID now confronted the delicate problem of cancelling a closed (read: unfair) competition it had initiated without facing still further protests. The quandary was resolved by straightforward, if awkward, means: each of the original applicants that responded favorably was paid \$500,000, apparently for little more than their initial expression of interest, clearing the way for a second, open, competition.³²

Conceivably, closed competitions are defensible as a means of reaching specialized assistance providers with a minimum of bureaucracy. Given USAID's studied ignorance of the NIS, however, this argument hits a serious obstacle: How can an organization with little knowledge of the target regions, their languages and cultures, or the critical problems faced in those societies, preselect a short-list of potential contractors? In the absence of expertise, familiarity is AID's sole criterion, as it doles out NIS assistance contracts to long-time assistance providers who have quickly retooled themselves for service in the post-communist world.³³

The ability to develop effective programs is hampered by the unfortunate tendency of USAID to leap before it looks into the business of awarding multi-million dollar contracts. Consequently, AID allocates monies prior to developing a clear conception of program objectives and the particulars of implementation. Especially in the early years of the NIS assistance effort, this was reflected in AID's extensive use of Indefinite Quantity Contracts (IQCs), which allowed for the rapid disbursal of funds,

yet left project details to be determined after the fact by AID officials working in conjunction with contractors and in-country NIS organizations.³⁴ In these circumstances, policy guidance simply evaporates, as USAID becomes dependent upon familiar contractors who, lacking any experience in the NIS, have precious little inspiration to offer. But if USAID is responsible neither for policy formulation nor for its implementation, it becomes increasingly difficult to see precisely what purpose it has for existence, other than to assure that the flow of assistance funds to domestic contractors continues as in the past.

Large blocks of money were also preferred to smaller amounts as this helped fulfill AID's bureaucratic need to expend funds in advance of budget deadlines. But if it had failed to develop a strategic conception for the distribution of assistance, what criteria did USAID employ to award these "omnibus" IQCs? Clearly, the touchstone for receipt of funds was familiarity with AID staff and practices, for no standards yet existed to assess the effectiveness and creativity of competing proposals. The imperative of consuming as much funding as possible while satisfying the daunting accounting requirements also left smaller American entrants at a decisive disadvantage compared to their Fortune 500 counterparts.

One example of dispensing money prior to developing a carefully thought-out plan for achieving assistance goals is USAID's Rule of Law Project, a hefty \$100 million that was divided among four regional areas of the NIS: (1) the Russian Federation; (2) Ukraine, Belarus, and Moldova; (3) Central Asia; and, (4) the Transcaucasus. Rule of law is unquestionably a key element in sustaining the development of civil society, but USAID's approach—to the extent that one could be said to exist—made little sense.

First, the competition for these four programs transpired, as expected, in the final two months of the fiscal year, giving the advantage to firms that were familiar with the mechanics of submitting proposals to USAID. Predictably, the big winners in the Rule of Law competition—ARD/Checchi and Chemonics—were familiar faces at the USAID trough, with seasoned agency veterans on staff.

Second, USAID's concern to showcase positive results to the U.S. Congress led them to demand that each applicant include a "quick-start" activity that would produce results in sixty days. This was simply unreasonable: most of the Soviet Union had never in its history experienced anything like the rule of law, and U.S. contractors were now being asked by USAID to produce in two months what all of human history had as yet failed to bring to former Soviet lands.³⁵

Finally, USAID officials simply misunderstood the relationship between formal institutions and civil society: successful legal and political institutions are *preceded* by the development of a culture of respect for the law and democratic structures. Yet USAID supported creating jury trials, party systems, the transplantation of civil and commercial codes, and the drafting of constitutions in countries completely lacking in a social base to support these elements of civil society. Contractors, forced to respond to the political pressures felt by USAID, were in no position to provide proposals that explored the tougher route of building a civic culture. From USAID's perspective, building a courtroom in less than two months time was more useful than a lengthy program designed to foster community values supportive of democratic institutions.

In another instance, USAID awarded \$44 million—with the expectation of later adding an additional \$30 million—to Abt Associates for a project designed to reform Russia's health care system. Given the disastrous state of Russia's health, no project could prove of greater benefit and raise America's profile in the NIS than a successful effort to improve the life expectancy of ordinary Russians. The problem, however, was that USAID rejected the inclusion of clinicians and area specialists. As a result, the program was developed and implemented by individuals who were both medically and culturally ignorant of the conditions they confronted. Once again, the burden fell upon the contractor, Abt Associates, to redress these defects in the original RFP, yet they were slowed and ultimately stymied by the interference of USAID personnel in program administration. Abt's activities—as well as the entire health care reform project—eventually ground to a halt.³⁶

The consequences of USAID's ignorance manifested themselves in a somewhat different manner in the area of civil service reform. As with health care, civil service development is crucial for the creation of a rational state in post-Soviet Russia. In the absence of trained government servants, the new Russian state will ultimately come to rely upon the communist officials of the old regime and the culture of arbitrary, centralized government will remain imbedded within the new Russian state. The Economic Development Institute of the World Bank attempted to pursue this important avenue of reform with limited funds, only to find the Russian side mired in confusion and controversy. Not so USAID Moscow, which had expressed a strong interest in this area to members of the Russian presidential administration responsible for civil service matters. Russian officials explained that USAID wanted to provide support for their activities devoted to developing a civil service. And what was the Russian side's proposed program? Surprisingly, they had none, only the suggestion to fund several vague seminars to be conducted by political appointees in the U.S. administration. Russian officials appeared to realize that there was no program structure and no definition of goals on USAID's part; they only had to find the right way to approach, and support would materialize.³⁷

USAID programs that succeed in articulating some specificity are pervaded by a quite different problem: the agency's penchant for micromanaging programs long after they have already formally awarded funding to a contractor or subcontractor. This derives from the multi-tiered funding structure spawned by USAID within the assistance community and, to a considerable degree, reflects USAID's own lack of confidence about the funding decisions it has made. In the Kennan Institute's ill-fated institutional partnership, for example, USAID Moscow simply could not resist querying virtually every proposed spending decision, no matter how small. USAID Moscow even considered the assurances on program integrity it received from the partnership contractor, IREX, to be insufficient, and it demanded a detailed, written memorandum of understanding between the Kennan Institute and its Russian partner, the Moscow School of Political Studies. Amazingly, this even included decisions about program content, yet who in USAID Moscow was qualified to make choices about educational programs, especially after this authority had ostensibly been handed over to the two partners, each of which USAID had already given high marks?³⁸

Countless other contractors experienced the same debilitating micromanagement on the part of USAID. ARD/Checchi's Rule of Law

program, for all of its own flaws, still had to contend with a USAID Moscow staff that insisted on signing off on every financial and program decision it made—with negative consequences. The Rule of Law Small Grants Program, for example, was forced to await USAID Moscow's verdict on grants of \$10,000 or less.³⁹ Not only was this cumbersome, USAID's customary tardiness substantially delayed the process, to the irritation of NIS organizations dependent on receipt of those funds.

Abt Associates evidently encountered similar difficulties in its administration of health care programs. This program was concentrated in several regions of Russia, and interestingly, these regions farther away from Moscow encountered fewer difficulties in dealing with USAID than those closer to the Russian capital.

This is not to imply that supervision or oversight of programs should be dispensed with entirely; rather, the existing procedures are so overbearing and time-consuming, both in selection and subsequent administration, that USAID often substantially degrades the potential of promising programs. There are highly successful programs that have received USAID funding but, consistent with the evidence presented here, they are the lucky ones that have managed to keep USAID procedures at arms-length from their activities.

The combination of multi-million dollar grants with little time to prepare has led to another common USAID practice that may also involve the connivance of major contractors. In order to demonstrate the capacity to disburse program funds effectively to dozens of subcontractors, applications for funding typically bristle with name upon name of prestigious organizations, firms, or individual specialists purportedly affiliated with the proposed request for funding. These lengthy lists also ostensibly demonstrate the seriousness of purpose and able resources that a major contractor proposes to make use of in implementing programs. Yet, many of these organizations or individuals are never contacted again by the successful contractor following the receipt of funding.⁴⁰ This is either a sophisticated version of "bait-and-switch" (in which high-profile names are added for appearance, with no intention of employing them following award of funds), or it 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. Whatever the reason might be, it is surprising that USAID's penchant for micromanagement does not allow it to catch such program weaknesses.

Of course, no assistance program is complete without a serious evaluation of its impact, and it is here that USAID procedures again fall far short of satisfactory.⁴¹ Aid to the NIS was predicated on the goal of socioeconomic transition to civil society, so the best evaluations would be conducted by specialists in those sectors assistance was designed to foster: entrepreneurs should examine business development programs, educators could assess curricular development, and so forth. This has been the exception in USAID program evaluations for several reasons. First, agency culture tends toward evaluations that assess the extent to which existing administrative procedures have been followed, rather than the quality of output.

Second, the penchant for quantifying results, even when it makes little sense to do so, leads to irrelevant evaluations. Which is more of a "success," a program that brings several hundred former communist

apparatchiki to the United States for brief visits or one that invests in a dozen individuals in-country who will ultimately make substantial contributions to changing their society? USAID, citing contact hours, change agents, creation of networks, and other concrete measures, will invariably choose the former, yet it is the latter option that holds greatest promise. Selecting the smaller program, however, requires the ability to gauge qualitatively the potential of individuals in their cultural setting, something that USAID cannot do because personnel practices weed out most people with area knowledge. Reinforcing this is the need to disburse large amounts of money quickly, a factor that militates against small, carefully crafted programs.

The preference for self-selection is a third feature of the evaluation process, which manifests itself in several ways. First, applicants are invited to construct their own evaluation mechanisms. When this occurs, it is difficult to imagine how a “bad” outcome could ever be possible. Second, USAID personnel are permitted to craft assistance programs, which they subsequently evaluate as employees of AID contractors in the private sector. This is fiendishly clever, as it provides an opportunity for the organization as well as individual employees to benefit. USAID program officers generate RFPs and perhaps even participate in the launching of a project. Once the project is underway, however, AID officers have left the agency and have often been

“Equally unfortunate has been the disappointment, then disgust, of citizens from the NIS as they were forced to watch USAID programs stumble aimlessly in their countries, often enriching the very people who were the elite in the ancien regime.”

retained by private contractors who then win the grant to run an evaluation of the very same program. In reality, the AID program officer has put on a private sector hat to evaluate his own proposal. In this way, USAID awards evaluation grants so that the programs receive favorable evaluations, the private contractors cement good working relations with USAID, and the individuals responsible reap personal rewards. Everybody wins—except for the taxpayer, who still cannot determine whether his money was well spent.⁴²

USAID also has acquired the habit of exaggerating its impact in the world, and officials often claim credit for the most sweeping victories. USAID Administrator Brian Atwood urges us to “consider the record” of what “the American foreign aid program has achieved” in recent decades, a list that includes, among other accomplishments, reduction of infant and child death rates by more than 50 percent, increasing life expectancy in the developing world by 33 percent, and worldwide eradication of smallpox.⁴³ Thomas Dine’s recent comments reflect a more balanced appraisal but here, too, USAID is credited with major successes in the task of systemic reform: “changes that go to the root of social arrangements.”⁴⁴ The difficulty is that USAID has proved unable to produce measurable criteria by which to determine “success,” as well as its relative contribution to assistance successes when several organizations participate. More importantly, if USAID is eager to claim credit for reform in the NIS, it must also be prepared to accept responsibility for failure—an uncomfortable position to be

in as Russia moves away from Western institutions and the reformers supported by the West.

Evaluating USAID: Something Less Than Success

USAID is a troubled agency, with weaknesses and flaws in its institutional structure that are beyond repair. Like the Soviet institutions that share so many of AID's problems, the assistance agency must take its own medicine and undergo structural reform that goes to the root of the ideas and practices that have defined it for more than three decades. Indeed, failure to do so imperils the future ability of the United States to utilize foreign assistance in support of its national goals.

Comparing USAID ideology, personnel, structure and practice in light of the five criteria presented earlier reveals the extent to which

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the United States needs an alternative to the status quo in foreign assistance. USAID cannot possibly aspire to possess anything approaching a lean and competent bureaucratic structure; changes in this direction will cut into the flesh of the agency: staff recruitment and administrative practice. More importantly, the existing community of favored contractors would have a strong incentive to prevent such an occurrence. Second, USAID is a study in inaccessibility; neither American contractors nor in-country organizations stand a chance of penetrating the agency's institutional veneer unless they are specifically designated (for reasons beyond their control) as deserving assistance recipients.

Third, the background of current personnel, as well as prevailing recruitment practices, militates against selection of individuals with the type of area expertise that can make programs succeed in widely-varying social and cultural conditions. Fourth, the experience of the past four years in the NIS have demonstrated a palpable absence of strategic vision. Instead, the assistance program has been largely reflexive, as USAID personnel and practices change in response to the new environment they must confront both here and abroad. But a foreign assistance program is no place for on-the-job training, particularly when the United States possesses the human resources that could have anticipated many of the problems that eventually emerged. Equally unfortunate has been the disappointment, then disgust, of citizens from the NIS as they were forced to watch USAID programs stumble aimlessly in their countries, often enriching the very people who were the elite in the ancien regime. And who can blame them? Lost opportunities are perhaps the most painful legacy of the USAID experience in the transition to democracy.

But what if, despite these failings, USAID were able to produce a strong performance record? Consistently successful programs would be a powerful argument in support of retaining USAID, perhaps after a thoroughgoing reform. Regrettably, once one sets aside the more hyperbolic claims of AID achievement designed primarily to impress congressional committees, the “successes” AID officials showcase are ephemeral in nature or, still worse,

failures in the NIS setting. USAID is, for example, “bullish” on Kazakhstan and Russia,⁴⁵ yet how serious can this claim be when virtually every Central Asian state—Kazakhstan included—has abolished its parliament and created constitutions that effectively validate personal presidential rule? How will Russians who, with the exception of those resident in Moscow, have watched their economy and quality of life plummet in recent years, respond to USAID’s promotion of this outcome as a “success”? Would it not be better for U.S. assistance officials to be working on efforts to restore productivity—and real wages—to the population?⁴⁶

Ukraine’s privatization program, supported by AID, has been so riddled with problems that it is not even possible to claim a false victory. Despite spending nearly \$67 million on privatization in the past year, only 300 of Ukraine’s 8,000 companies have been sold. America’s image has also taken a beating: in the Donetsk regional privatization center (established by Price Waterhouse), the American volunteer hired to run the center did not speak sufficient Russian or Ukrainian, nor did he possess requisite practical experience in business management to deal with his first visitor. The visitor left in disgust, noting that “before delivering lectures here, the American guy should learn the laws.”⁴⁷ Such visible failures not only weaken the reformist breakthrough made by President Leonid Kuchma, they undermine Ukrainian confidence in the United States’ ability to assist it in navigating the far more complex security issues that lie ahead.

Privatization in Russia has been AID’s jewel in the crown, drawing early praise from USAID officials as a major step for transition.⁴⁸ Despite these plaudits, many experts have become convinced that much of the process has been *nomenklatura* privatization, enabling members of the communist apparat to acquire private property. In November 1995, Harvard economist Jeffrey Sachs concluded that genuine economic reform was at a standstill in Russia, and that the privatization process had “simply resulted in a massive transfer of property ownership to former apparatchiks of the former communist system.” Sachs characterized the entire process as “theft of assets,” concluding that “we don’t know how, and we don’t know by whom, but it’s theft.”⁴⁹ More recently, Russia’s privatization has revealed other ugly faces: former first deputy prime minister Anatoly Chubais’s plan for the second stage of privatization has become embroiled in scandal, as the banks responsible for leading the process have been accused of gaining preferential access to Russia’s most prized real estate. The collapse of the planned sale of Sviazinvest to Italian investors has also cast doubt on the extent to which privatization will be open to foreigners.⁵⁰

USAID has apparently been oblivious to the negative setting in which privatization is increasingly being situated by analysts of all stripes. Perhaps this derives—as do many problems in the agency—from an unfamiliarity with the impact of Russian privatization on the general public. In fall 1995, Deputy Administrator Carol Lancaster claimed success for the program, noting that the original 10,000 ruble vouchers issued in 1992 were valued at more than 30,000 rubles at the close of the first stage of privatization. But in dollar terms (the bottom line for every transaction in Russia), this meant that Russians paid approximately \$30 in 1992 for something that was worth less than \$7 in 1995, hardly a bargain.⁵¹

These examples are admittedly a small sampling of the many programs funded by USAID but, in conjunction with other flaws, the conclusion that USAID needs to be replaced by a more competent structure is virtually

inescapable. This is so principally because of the deeply rooted deficiencies within the bureaucracy, but it can also be attributed to the fact that USAID's performance should lead policy-makers to focus on what has become the central question: Can a foreign assistance bureaucracy be created that employs the rich store of human resources America has to offer the world with less waste and controversy than USAID currently produces? The answer to this is clearly in the affirmative, and the structural flaws embedded within USAID only make this imperative. Russia deserves our thanks, for its sheer unmanageability has exposed to the United States the need to create foreign assistance institutions that can better serve America's interest in the next century.

Notes

1. This includes recent Republican efforts to eliminate the U.S. Agency for International Development, as well as an earlier proposal (in 1989) by a Democratically-controlled House of Representatives for replacement of USAID by a new Economic Cooperation Agency; David Callahan, "Foreign Aid: Will a Revamped AID Be Recognizable?" *Foreign Service Journal* (April 1994): 21. It is therefore a mistake to characterize the aid debate as a purely partisan issue.

2. For more on the history of some efforts to reform USAID, see Callahan, "Foreign Aid," 20-25. The recent proposal by Senator Jesse Helms to fold USAID and two other agencies into the U.S. Department of State also received the backing of three ex-secretaries of state: Lawrence S. Eagleburger, James A. Baker III, and George P. Shultz; *Washington Post*, 24 March 1995, A21.

3. Ironically, AID personnel often consider special area knowledge to be a weakness or flaw in the proposals of prospective aid recipients.

4. There is a substantial body of literature on the flaws—and limited successes—of USAID in the developing world. See, for example: Stryk Thomas, "Milkshakes in the African Desert . . .," *Washington Monthly* (May 1994): 14-17 (on programs in Niger); Randy Fitzgerald, "Foreign Aid Follies," *Reader's Digest* (March 1993): 61-65 (on programs in Latin America and Africa); Stephen Buckley, "AID Spells Slow Relief in Rwanda," *Washington Post*, 11 July 1995, A11; James Dorsey, "AID Official Hits at Failure in Egypt," *Washington Times*, 6 July 1989, A3.

5. The failure of USAID to stem the maladministration of its programs has been a recurring theme that predates its involvement in the NIS. In 1992, for example, AID Inspector General Herbert Beckington expressed concern in his semiannual report that the agency had not yet reflected the impact of corrective actions, and that his findings were not dissimilar from those "six months ago, two years ago, or three years ago," as quoted by Warren Strobel, "AID Lapses Resist Reforms, Says Inspector General," *Washington Times*, 30 May 1992, A7. This is reflective of deep-rooted administrative pathologies inured to superficial remedies.

6. Reported to the author in a private conversation, August 1995.

7. J. Brian Atwood, "America Must Lead: A Defense of Foreign Aid," *Freedom Review* 26 (May-June 1995): 6; Carol Lancaster, "Will the United States Have the Resources and Capacity to Address the Needs of a Post-Cold War America?" Noon Discussion, the Kennan Institute for Advanced Russian Studies, 26 September 1995.

8. This is the approach of Mark Kramer, who appears to think that some minor pruning of the U.S. Trade and Development Agency and other small programs, combined with a reshuffling of AID's assistance categories, will be sufficient to improve USAID's performance; "Russian Aid (II)," *The National Interest* (Spring 1995): 78-81. Kramer's criticism of the TDA as exemplifying "the worst in corporate welfare," while endorsing AID economic restructuring and democratization efforts (79, 81) is perplexing, for a casual glance at AID awards in these areas reveals that a majority of recipients are major U.S. corporations.

9. Private conversation reported to author, March 1995.

10. Private conversation reported to author, August 1995.

11. Some of these are covered in greater detail below.

12. The conference was held at the Woodrow Wilson International Center for Scholars, 19-20 April 1995. A further indication of the extreme sensitivity associated with speaking openly of USAID's shortcomings is reflected in the fact that virtually every individual interviewed for this article did so only on the condition of anonymity.

13. Private conversation with author, 18 December 1995.

14. Private conversation with the author, 18 August 1995.

15. Peter J. Stavrakis, "U.S. Foreign Assistance: The Sources of Success and Failure," unpublished manuscript, May 1995; based on materials taken from Kennan Institute internal correspondence, 16 January 1995.

16. Private conversation with the author, 15 March 1995.

17. Julie Corwin, "Playing the AID Game," *U.S. News and World Report*, 3 October 1994, 35. The activities of other contractors is also covered in: Fred Hiatt and Daniel Southerland, "Grass-Roots Aid Works Best in Russia," *Washington Post*, 12 February 1995, A1.

18. Private conversation reported to author, 17 December 1995. Transcripts of these conversations can also be found in the internal correspondence of the Kennan Institute, 16, 17, 19 December 1995. The NIS is not alone in this regard, as USAID programs in places such as Latin America have had the same debilitating impact on emerging markets; Fitzgerald, "Foreign Aid Follies," 61-62.

19. The difficulty of classifying the NIS in terms we can understand is reflected in the absence of any meaningful dichotomy by which we can divide the post-Soviet public. Alternative dichotomies are "slavophile/Westernizer," "pro/anti-reform" and "traditional/modern." While all of these have some explanatory value, none fully captures the extent to which Russia is divided along a profound cultural axis.

20. Information on the Russian national in USAID Moscow can be found in internal correspondence of the Kennan Institute, 4, 16, 19 January 1995. Information regarding *Nash Dom Rossiia* is based on a confidential conversation with the author, 8 August 1995.

21. Other analysts have noted the pervasive bureaucratic culture or organizational psychology within USAID that appears to resist change. According to one USAID official, "we've got to change the culture and psychology within the organization. . . . We're trying to break the psychosis of inside-the-beltway, dominated by specialists who only deal with the AID contracting process. . . .": Larry Byrne, as cited in Corwin, "Playing the AID game," 35. While Byrne is cautiously optimistic, another veteran of USAID consulting stints is more pessimistic. Stryk Thomas warns that the "culture of development" the agency has created in Washington, with all of its benefits and comforts, can easily coopt any new blood that might be brought in to change administrative practices.

22. Thomas A. Dine, assistant administrator for Europe and the New Independent States at USAID, recently stated that the agency has "right-sized" from a staff of 10,600 to 9,400; statement before the Committee on International Relations, U.S. House of Representatives, 104th Congress, First Session, 14 November, 1995, 11. Thomas, "Milkshakes in the African Desert . . .," 16, cites similar figures, while Senator Jesse Helms gives a rough figure of 9,000; "For a More Effective State Department," *Freedom Review* 26 (May-June 1995): 8. Fitzgerald, "Foreign Aid Follies," cit. 64, claims that USAID directly employs 4,300 persons, while keeping another 7,450 on the payroll as contract employees.

23. The author was unable to meet with USAID Moscow officials in December 1995, even though the Kennan Institute had provisionally been awarded funding for an institutional partnership with a Russian institution. The argument made subsequently by USAID, that contact with prospective contractors threatens the integrity of the selection process, was a hollow one, inasmuch as USAID Moscow officials met with the Institute's Russian partners to discuss the program.

24. That USAID has been perennially weak in staff with strong knowledge of local conditions is not a new situation. What is surprising, however, is that despite the obvious need to draw upon the many skilled individuals in this country and the target countries who can make technical assistance programs succeed in all regions of the world, USAID Administrator J. Brian Atwood introduced a plan that explicitly neglected regional resources in favor of a few more ambiguous functional bureaus. As Thomas, "Milkshakes in the African Desert. . .," 17, points out, this type of ill-defined centralization is a recipe for bureaucratic infighting.

25. Dine, statement before the U.S. House Committee on International Relations, 14 November 1995, 14. The assistant administrator added that USAID is proud of its place as "one of the lead agencies in the [sic] Vice President Al Gore's National Performance Review . . . program to 'reinvent' government," *ibid*, 12.

26. Private conversation with the author, 15 December 1995.

27. Hiatt and Souterland, "Grass-Roots Aid Works Best in Russia," A36. See also, Fred Hiatt, "U.S. Firms Cash in on Aid Projects," *The Washington Post*, 12 February 1995, A36; and John J. Fialka, "U.S. Aid to Russia Is Quite a Windfall—For U.S. Consultants," *Wall Street Journal*, 24 February 1994, 1.

28. This was the experience of the director of the Moscow Kennan Alumni Association, who worked with ARD/Checchi from August 1994 through August 1995.

29. According to one U.S. government official, USAID keeps "going back to the well with their pet consultants, back to those who worked for them in Guatemala, Rwanda and Uganda," as cited in Stephen J. Hedges, "Helping Themselves by Helping Russia," *U.S. News and World Report*, 29 March 1993, 34.

30. It is also of little help that USAID Requests for Proposals (RFPs) are poorly written. Still worse, the RFPs often contain apparent contradictions that can almost never be clarified, as it requires contacting the relevant program officer in AID—a herculean task.

31. More on the Transnational Institute's final experience with assistance programs can be found in Stavrakis, "U.S. Foreign Assistance," 2-5.

32. The money for this program evidently came from USAID's reduction, at short notice, of the money it had awarded to Abt Associates to administer a \$44 million health care program; private conversations with author, 12-15 December 1995. See also Sander Thoenes, "Critics Charge U.S. AID with a Record of Waste," *Moscow Times*, 28 December 1994.

33. The only possible exception to the familiarity criterion is size: USAID tends to favor large organizations, apparently construing size as a reflection of administrative competence. This was likely the case with the award of the Institutional Partnership's Program to the International Research and Exchanges Board (IREX). Nearing the end of the fiscal year with more than \$30 million of partnership money as yet untouched, USAID entered into negotiations with IREX; evidently the shortness of time precluded running a competition to select the contractor. IREX was subsequently selected, allowing USAID to obligate the monies on 30 September, the last day in the fiscal year, after which the money would have been lost.

34. Fialka, "U.S. Aid to Russia is Quite a Windfall," 8.

35. The author was part of the ARD/Checchi team applying for the Central Asia Rule of Law monies and was asked to come up with a quick start plan for the program in less than two weeks.

36. Thoenes, "Critics Charge U.S. AID with a Record of Waste," and private conversations with the author, 12, 15 December 1995.

37. This information was obtained from the author's interviews with several members, but not the head, of the Russian president's Directorate for Federal Public Service, 7 July 1995. Members of the Russian government's (i.e., prime minister's) civil service department, interviewed later that month, had far more concrete ideas about civil service reform. They did not indicate, however, that they had been in direct contact with USAID.

38. This section comes from the author's personal experiences, all of which can be found in the internal correspondence of the Kennan Institute related to the USAID Institutional Partnership (September 1994-February 1995, various dates).

39. Information on this comes from several private conversations with the author during the first week of August 1995, as well as confidential correspondence with Russian organizations throughout summer 1995.

40. This has been the case with the author, as well as with several colleagues and organizations with whom the author has had contact.

41. The AID Inspector General is formally charged with oversight and evaluation of programs. This could be a sound institutional corrective, were it not for the fact that the Inspector General's reports have had little impact on the effectiveness of USAID performance.

42. The clearest example of this phenomenon the author was able to obtain is—for obvious reasons—unwilling to go on record. A variant of this is the AID officer in "parallel" programs at the agency who is then recruited by private sector firms to help them win project contracts. An example is in Hiatt and Southerland, "Grass-Roots Aid," A31. In fairness, this crossover phenomenon benefitting contractor as well as government agency can be found in other areas of the U.S. government. Most agencies, such as the Department of State, place time restrictions on their personnel moving to private sector firms to prevent an unfair advantage.

43. Atwood, "America Must Lead," 6-7. Nowhere in this "record of achievement" does Atwood credit any other organization for playing a role. One wonders if this view is shared by the World Health Organization or others who have played crucial roles in these achievements.

44. Dine, statement before the Committee on International Relations, 2-3. One of the examples Dine cites as a success is the selection of a young CEO of the Vladimir Tractor Factory, defeating his Soviet-era opponent. But Dine's recounting fails to explain how USAID had a direct impact on this outcome; rather, it appears that the Russian workforce eventually made the decision unassisted by USAID; see Dine, statement, 9. Conceivably, the assistant administrator is basing his claim on the privatization program supported by USAID that made such stockholders meetings possible. But then the agency must fairly acknowledge the serious problems that have accompanied privatization, as well as the growing anti-American sentiment its implementation has engendered.

45. *Ibid.*, 28.

46. For figures that provide some indication of the extent to which life in the regions has deteriorated, see: *Rossiiskie regiony nakanune vyborov—95*, Analiticheskoe upravlenie Prezidenta Rossiiskoi Federatsii, (Moscow: Iuridicheskaiia Literatura, 1995). Statistics for the St. Petersburg economy provide an equally sobering picture of what is actually a better-off region. Basic economic indicators for the St. Petersburg economy during the years 1991-94 reflect the secular decline: Industrial production is now 52 percent of 1991 levels, investments similarly are only 53 percent, and consumer goods production is down to 49 percent. These results are prefaced by a title that reads: "Economic Statistics Indicate Turn-Around is Beginning"; *1995 Year End Report*, International Action Commission for St. Petersburg, (Washington, D.C.: Center for Strategic and International Studies, 1996).

47. Jane Perlez, "Ukraine Sells Its Companies, But Buyers Are Few," *New York Times*, 2 November 1995, A1, 10.

48. Hedges, "Helping Themselves by Helping Russia," 34, quoting Malcom Butler, then head of AID's NIS task force.

49. *Russia Reform Monitor* 70, 14 November 1995.

50. *Financial Times*, 29 December 1995, 2.

51. "Will the United States Have the Resources and Capacity to Address the Needs of a Post-Cold War America?" Noon discussion at the Kennan Institute for Advanced Russian Studies, 26 September 1995.