



CARNEGIE ENDOWMENT
FOR INTERNATIONAL PEACE

Congressional
Testimony

**REVITALIZING U.S. DEMOCRACY
ASSISTANCE: THE CHALLENGE OF
USAID**

Testimony by **Thomas Carothers**
Vice President for Studies
Carnegie Endowment for International Peace

House Committee on Foreign Affairs
Washington, D.C.
June 10, 2010

Democracy aid is a vital part of the larger set of tools the United States employs to advance democracy abroad. It is usually quieter and less visible than high-level diplomacy, economic sanctions, the bully pulpit, and other measures sometimes employed, yet when carried out in a well-conceived and sustained fashion can have significant positive effects.

U.S. democracy aid has on the whole been on a positive trajectory of growth, both in amount and sophistication over the past 25 years, through Republican and Democratic administrations alike. This expansion is one part of the notable broader expansion of democracy aid not just from the United States but from many established democracies that is now being channeled to both the developing world and post-communist world. Although democracy aid sometimes provokes controversy and resistance in recipient countries, over the course of the last generation it has become a widely accepted part of international political life.

Necessary Complexity

The domain of U.S. democracy assistance is organizationally complex. Three organizations serve as the main sources of such aid: the United States Agency for International Development (USAID), the Department of State, and the private, nonprofit National Endowment for Democracy (NED). Other parts of the government are also involved, including the Department of Defense, the Millennium Challenge Corporation (MCC), and Department of Justice. U.S. democracy aid funds go to a wide array of organizations in the United States, including organizations devoted to democracy work and ones engaged in development programs more generally. It also in some cases goes directly to organizations within recipient countries. In addition, the United States makes contributions to international organizations that take part in democracy support programming, such as the United Nations Democracy Fund.

This organizational complexity sometimes provokes calls for simplification, in particular a reduction of the multiple sources of funding. Although such calls have a superficial appeal, they do not respond to the key needs in this domain. The diversity of funding sources reflects the diversity of challenges inherent in democracy support. Democracy aid spans many substantive areas, from grassroots civic education and local government support to strengthening national legislatures and judicial systems, to supporting elections, political parties, media, and much else. Each of the three main funding sources has developed different areas of programmatic strength corresponding to its own institutional nature.

In addition, democracy aid has a complex relationship to foreign policy. In some cases such aid is best carried out at arm's length from foreign policy; in other situations a close integration is beneficial. Each of the three different major funding sources has a different relationship with the foreign policy bureaucracy, ranging from the relatively arm's length relationship that the NED has to the closer integration of State Department democracy funding with day-to-day foreign policy concerns. Having these three different sources operating simultaneously gives U.S. democracy aid important operational flexibility to tailor different types of aid to different types of policy contexts.

It is worth noting that other major countries engaged in democracy promotion have a similar three-pronged structure for such work. In Great Britain, for example, democracy support

policies and programs are carried out simultaneously by the country's foreign ministry, foreign aid agency, and also its government-funded democracy foundation. The same is true with Germany (with multiple government-funded political foundations).

Doing Better

The key to strengthening U.S. democracy aid is not to simplify or reduce the institutional sources, but rather to ensure that each one is operating as effectively as possible. Although it is the smallest of the three sources, the NED tends to attract the greatest congressional attention and public scrutiny because it is a single-purpose organization with democracy in its name. Surprisingly little attention has been given to the democracy assistance work of the State Department, especially considering how rapidly and significantly that assistance has grown over the last decade. Even more surprisingly, USAID's democracy aid—which is by far the largest pool of such assistance funded by the US government, in recent years exceeding \$1 billion dollars annually—has also not been the subject of much outside examination. Therefore in my recent report on *Revitalizing Democracy Assistance* and in my testimony today I focus on USAID's democracy assistance.

USAID has devoted more resources, energy, and attention to aiding democracy around the world over the past 25 years than any other organization in the world. In the process, USAID has both accumulated considerable expertise in the subject and made important contributions to democratic progress in dozens of countries. At the same time, however, USAID falls short in its democracy work in some damaging ways, largely due to some of the broader institutional maladies that the agency faces. The main problems concern not the types of programs that USAID carries out or where it works but rather *how* it operates—its basic methods of designing, funding, implementing, and evaluating assistance programs. Three problem areas stand out:

Bureaucratization: USAID's basic operating procedures are a study in dysfunctional bureaucratization. They cause inflexibility, cumbersomeness, slowness, cookie cutter approaches, and a lack of flexibility in its programming. Such characteristics, while harmful to all areas of assistance, are especially hard on democracy support. Political aid, such as work with elections, political parties, civic activists, legislatures, and independent media, entails outsiders involving themselves in what are almost always unique, complex, sensitive political processes. Heavily bureaucratized forms of action fit such processes very poorly.

The agency needs to undertake a thorough process of de-bureaucratization involving a review of every step of the assistance process, with special focus on the phases of procurement, implementation, and evaluation, aimed at finding ways to streamline procedures and increase flexibility, speed, adaptability, and innovation. For such a change to succeed it is crucial for those at the State Department, White House, and Congress who hold the keys to USAID's future to avoid the almost automatic tendency to think that stricter controls, more regulations, and tighter procedures will yield better performance. The application of such thinking to USAID again and again over the years is precisely what has led to the bureaucratization responsible for its troubled performance.

Lack of ownership: Another core problem is the externality and consequent lack of local ownership of USAID's basic operating methods. In much of USAID's programming U.S.

organizations dominate every step of the assistance process, including design, implementation, and evaluation. People and organizations from the countries that USAID is seeking to assist play some role in these various stages, but often a greatly secondary one compared to the role of U.S. organizations coming to the country to carry out the programs. The inevitable result is a low level of local attachment to the programs and weak sustainability of whatever gains the aid achieves. As with bureaucratization, this problem of externality hurts all of USAID's work, yet it falls particularly hard on democracy aid. If people in a country struggling to reform its political system perceive that sensitive endeavors such as strengthening political parties, revamping democratic civic education, or reforming the legislature are the work of outside actors (especially foreign governments with significant geopolitical interests) the legitimacy of such efforts will be questioned.

Reducing the externality of USAID's work does not necessarily mean channeling more funds directly to organizations within aid-receiving countries rather than through U.S. implementers, although such a shift could be part of such an effort. It is more about changing how USAID works with U.S. partners and implementers. It is about creating assistance mechanisms that encourage and allow U.S.-funded organizations to create real partnerships with local actors, in which the local actors have a substantial and sustained say in what the goals will be and what methods will be employed to achieve them. One important area of reform in this vein is the domain of contracting. The very notion of attempting to support processes of political change in other countries through extremely detailed, fixed-term, technically oriented contracts in which U.S. implementing organizations provide a predefined list of "services" to USAID is highly questionable.

Weak place for democracy work: In addition to these broad operational shortcomings, democracy work at USAID also suffers from the weak integration of such work in the overall institution. Despite more than twenty years of democracy programming by USAID, such work remains a somewhat disfavored stepchild in an agency whose heart is still wedded more to socioeconomic work. Signs of this are multiple: a series of USAID administrators from the late 1990s until last year with little background or apparent strong interest in democracy-related assistance; the senior level of career professionals at USAID is dominated by people who rose within the organization as specialists in socioeconomic work; democracy and governance programs are housed within a bureau primarily devoted to other issues which often receive much more attention from USAID's leadership; and the democracy and governance personnel "cadre" at USAID has not been strongly supported institutionally.

Strengthening USAID's democracy assistance capacity will require ensuring that democracy and governance work is a well-established and well-supported part of USAID's core agenda. It also requires finding ways to incorporate democracy and governance values, insights, and approaches into the traditional areas of development assistance. This will entail clear leadership from the top as well as various specific measures, including: bolstering the budget and institutional position of the Office of Democracy and Governance; increasing the number of democracy and governance positions in USAID's country missions; consolidating recent initiatives to improve training in democracy work; and creating incentives to increase the integration of a democracy and governance focus into all areas of USAID's work.

The Leadership Imperative

The key to achieving these reforms to USAID's democracy and governance work will be determined, focused leadership at the agency. Although USAID is a decentralized institution, with field missions having significant control over their own activities, major institutional changes can and must be driven from the top. Such leadership will have to combine a range of important attributes:

- a commitment to the value and importance of democracy and governance as part of the overall U.S. development agenda and a genuine interest in how such assistance works;
- a willingness to devote significant time and attention to a stratum of institutional issues that, while fundamental to improving democracy and governance assistance, are inevitably detail-oriented and unglamorous;
- a willingness to acknowledge USAID's shortcomings and not adopt an automatic defensive posture in the face of critical reviews and challenging reform proposals;
- an ability to take on the many vested interests that will feel threatened by change;
- an ability to work closely with the State Department, White House, and Congress at every step of the process.

Despite a very slow start at USAID due to the administration's delays first in appointing a new Administrator and then in facilitating his getting a senior management team in place, some encouraging signs are starting to emerge. The new Administrator has expressed serious interest in and commitment to the democracy and governance agenda and made efforts to hear the views of the broader democracy promotion community about what needs to be done. The reestablishment of the Policy Bureau will help facilitate better institutionalization of learning and programmatic innovations in democracy and governance work. The Administrator announced in May that over the next several months the agency will initiate reforms in procurement, human resources, and monitoring and evaluation. And the question of the institutional position of democracy and governance work within the agency—whether it belongs in the bureau where it is located or should have a bureau of its own—is also now on the table.

Turning these initial positive signals into lasting changes that go to the heart of the deep shortcomings accumulated over the years will require considerable boldness and resoluteness. All the proposed reforms will inevitably encounter vested interests favoring stasis. Not only will sustained leadership on these issues at USAID be necessary, but the State Department, the White House, and Congress will need to be supportive. It is crucial that what may seem like detail-oriented, technocratic changes, but which are actually fundamental issues to improving aid, not get lost in the broader, higher-level considerations of the place of U.S. foreign aid relative to diplomacy and defense that are being carried out in the Presidential Study Directive on Global Development Policy and the Quadrennial Diplomacy and Development Review.

Revitalization of USAID's democracy and governance work could serve as a spark for efforts to reinvigorate other parts of the U.S. democracy aid landscape. It would also be a viable signal that the Obama administration is moving beyond its apparent caution on democracy promotion to forge foundational changes that will help the United States meet the serious challenges that democracy's uncertain global fortunes now pose.