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**MICHAEL CROSSWELL**

*Interviewed by: Alex Shakow  
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## INTERVIEW

*Q: I am delighted to be talking to Mike Crosswell, who recently retired, probably a year or so ago, from AID [U.S. Agency for International Development], after nearly 40 years of being an economist—once in PPC [Policy, Planning, and Coordination Bureau], in my old hangout. So, this is Alex Shakow, and we are going to begin this oral history.*

*We would ordinarily begin with some questions about your early life, educational background, and so forth. But, you shared a brief note you had already written on that, and we agreed we would simply append that to the transcript of the interview. So, that's at the end for those who are interested.*

### **FROM THE FED TO AID, 1975-1977**

*So, Mike, why don't you describe for us how you moved to the Bank from the Federal Reserve.*

CROSSWELL: You mean to AID from the Federal Reserve. (laughs)

*Q: Yes, sorry, to AID from the Federal Reserve.*

CROSSWELL: But it's apt. I had an offer from the Bank soon after I started at the FED. But, it was for a specific opening on the operational side working on Suriname, as an alternative to the Young Professionals program. I declined.

In any case I came out of graduate school in 1975 – the year I turned 30 -- and got a job at the Fed, in the International Division (or “Bureau”). I had very attractive options in academia, but I wanted a more structured atmosphere. However, the Fed was a bit of a diversion from my specialties, which were trade and development. It was all about international finance. That would call for some adjustment. But I liked the staff and the interviews were very encouraging, so I thought I should give it a try. They were very good about allowing time to complete my dissertation, which I did in May, 1976.

*Q: What was your dissertation on?*

CROSSWELL: It was on optimal policy in a small, open economy with variable endogenous distortions.

*Q: Fascinating—just what AID needed.*

CROSSWELL: Actually, my dissertation and my graduate work helped quite a bit in policy work at AID. I'll talk about that.

*Q: Okay, so there you are at the Fed.*

CROSSWELL: Yeah, so I finished my dissertation, and I'm working in the world trade and payments section, covering small European economies. It's not really doing a lot for my soul. It's fairly dry, uninspiring work. And, I don't have a sense of producing papers or other work that seemed to be of great value. I just didn't have a sense of—certainly not a sense of shining, or a sense of accomplishment. But it was a wonderful atmosphere in terms of a very professional, technically expert organization. The FED's budget doesn't depend on Congress, so it's relatively insulated from politics.

Around September 1976 I get a call from my friend at AID, Jim DeMelo. He was working in PPC in an office of economists. He had been working there, including on his dissertation, since 1973 or so. And, in 1973/74 we had been in close touch (by long-distance phone – he could call for free from work!) because we were both working on computable general equilibrium models. (Our thesis advisors put us in touch). After I moved to Washington, I saw Jim off and on. The Fed was right across the street from the State Department.

So, in Fall 1976, he called. He was finishing his dissertation, and it was time for him to go into academics and do what he really wanted to do. AID would want to replace him, would I be interested? And I said, well, I think a change would probably be good. So, this all proceeded, but slowly. I think I got an offer letter probably in February, maybe January, but it's just—

*Q: 1977?*

CROSSWELL: '77. The election has happened, the administration is changing, but I think Phil Birnbaum might have signed that offer letter. I'm not sure though.

*Q: Well, he would've been the PPC Assistant Administrator [of USAID] at that point.*

CROSSWELL: So, it was fixed that, in late March or early April, I would move to AID to work in an office of economists headed by Costas Michalopoulos. I'd have to search to find the exact title of the office.

*Q: That's okay. And that particular office, as I recall, was focused on the things you were interested in—trade, investment, that kind of thing, as opposed to the people who were working on health and education and other subjects.*

CROSSWELL: That's right, it was a more macro and international office. There were economists in other parts of PPC working on agriculture and other sectoral issues.

## **THE CARTER ADMINISTRATION – POLICY, 1977-1981**

*Q: Right, and so there you were. What was it like, coming into AID and PPC at a time when it was a change of administration, comparing it to being at the Fed or elsewhere, where you'd been before? Was this a shock? Was it a culture shock, or did you fit right in?*

CROSSWELL: Both. Well, it was a major culture change, but it wasn't a shock. The Fed was very bankerly, and so forth, very buttoned down. And AID just seemed more relaxed. AID had plenty of very skilled people with good degrees, but not the same day-to-day pressures. The FED was making very sensitive, near term policy decisions that could quickly affect the U.S. economy or at least the financial sector. They issued reports in which every word mattered and was scrutinized. AID was plenty substantive, but – in today's parlance – more chill. And very friendly and welcoming.

*Q: But what is it that you were actually doing?*

CROSSWELL: Well, I arrived, and this wonderful assignment soon fell into my lap. It was to write a paper for the National Security Council [NSC] on a strategy for meeting basic human needs. What would such a strategy look like? That was being considered by the new administration as an overarching framework for foreign aid. So, there was a request from the NSC for AID to do a paper. I don't know the details, but it somehow fell to me.

*Q: John Eriksson was working on similar things at that time. What was the link to John at this stage?*

CROSSWELL: Well, I can only speculate. You know, I was not only new but also very bureaucratically naïve. So, Costas has an office and Eriksson has an office. How does one office end up with this assignment and not the other? I can only speculate and turn that question back to you. I suppose Costas' office was more oriented towards the interagency, whereas John's was more oriented internally and towards the field. Costas was, you'll recall, a go-getter bureaucratically. So, he may have seen that out there and said, "I want my office doing this." It's also noteworthy that John Mellor was Chief Economist at the time and sitting in PPC. In any case, once drafts of the paper were circulated to other offices in PPC for comment, I had a sense of genuine cooperation across offices.

*Q: Okay, so you did this paper.*

CROSSWELL: So, over the course of— you know, I kept a journal this whole time, but it's blank for these months, unfortunately.

*Q: You were too busy working on the paper.*

CROSSWELL: Too busy working on the paper. And I was happy, whereas my journal was often for times when things weren't going so well. Anyway, I start working on this paper, I guess, sometime in April or so. The [paper](#) went to the NSC in June.

*Q: And did this paper carve out new territory? Did you need a lot of clearances through not only PPC, but elsewhere in the agency?*

CROSSWELL: I would call it a sort of a white paper or discussion paper, or background paper. It was subject to review and comment, but not formal clearance as I recall.

*Q: It was not a policy paper.*

CROSSWELL: It was definitely not a policy paper.

*Q: I see. Okay.*

CROSSWELL: And, think about the NSC, in those days, willing to digest a 30-page paper. Quite a departure from today. It was sort of a “what would it look like, or how would we approach the challenge of meeting basic needs with our assistance programs?” How might a developing country approach that challenge? And what would be the implications for foreign aid?

*Q: One of the big debates at the time, you will recall, was that some people interpreted “basic human needs” as a direct transfer from an AID staff member to a poor person, and it was a major effort to focus on the importance of growth and so on. How did you handle that issue in that paper, if you remember?*

CROSSWELL: We confronted that issue head-on. By and large, I'm happy with the paper when I look back at it. But there was some awkward terminology. We distinguished two approaches right along the lines you describe. One we called the income transfer approach, and the other we called the “resource-augmenting approach”. That was meant to suggest investment and growth—that we weren't simply redistributing the pie, that it was more about raising the earned incomes of the poor.

*Q: And what happened at the NSC? Do you know?*

CROSSWELL: I don't recall hearing details about the discussion. But I know the bottom line -- “Forge ahead”. Let's move to further develop this proposed approach to foreign aid.”

*Q: Were you then involved in that next stage? And how did it relate to the rest of the agency?*

CROSSWELL: Okay. From that stage on, there were three lines of effort. One was a [Development Coordination Committee paper](#), and there, I think, John Eriksson was the main player. I'm a little hazy on that exercise, but it includes issues and options, with a discussion of pros and cons. I provided comments occasionally, but that was on its own track. Then there was the [Brookings \[Institution\] study](#). State and AID, I think, financed Brookings to prepare a study on what a basic human needs strategy would look like.

*Q: And what was the third way?*

CROSSWELL: The third track was to start working with the DAC. And we wanted to—

*Q: For the uninformed, it's the Development Assistance Committee of the OECD.*

CROSSWELL: Yes. And so, again, that's something where Costas would likely be more directly involved than PDPR, Policy Development and Program Review, John Eriksson's shop. Apparently senior leadership is saying, "We need to get the DAC on board. We've seen the light, let's talk to other donors and make this a multi-donor effort." And so, I suppose, a high-level meeting was coming up in the fall—this is June '77 or so. We were exercising leadership in the DAC. "Follow our lead, here's what we think, how we think foreign aid should be oriented." And (laughs) the U.S. has this expert on basic human needs who can explain.

*Q: And that's you.*

CROSSWELL: C'est Moi. (laughs)

*Q: That's good! That's good!*

CROSSWELL: This guy, several years out of grad school, he's written one paper and suddenly he's an expert.

*Q: So did you then end up going to Paris for DAC meetings and briefing the Administrator?*

CROSSWELL: I think John Eriksson made one trip to Paris, and I think the DAC would have loved to have had John Eriksson working with them on this. But John was surely fully engaged on the DCC study and his many other responsibilities. Somehow it was decided that then I would visit the DAC, to discuss how the DAC could go about producing a paper to prepare for the high-level meeting. By now we're looking at August. Everyone is on vacation in the DAC. And, I get the sense that this is seen as a sort of impetuous move by the U.S.

*Q: Did you find somebody at the DAC to work with?*

CROSSWELL: Well, I came back from my trip and reported. "They don't seem all that excited about undertaking all this, especially in August." So then it was decided "Well, you know, if they're short-staffed, we'll send you over there to write the paper."

*Q: For the DAC.*

CROSSWELL: For the DAC. So I was volunteered to the DAC -- foisted on the DAC? -- detailed to the DAC for four and a half weeks or so, to produce a paper for discussion at an "Expert Meeting" in early October.

*Q: I see. And you did that?*

CROSSWELL: Yes, I went to the DAC and wrote the paper. I'd have to describe the reception as sort of cool but polite. But, the quiet of August was a great atmosphere for writing and I had good secretarial support.

*Q: Was it a DAC paper, or a U.S. paper provided to the DAC as a discussion item for the meeting?*

CROSSWELL: It was described as a "Note by the Secretariat". (DD-565 -- "Aspects of National Development Policies in the Context of a Basic Human Needs Approach") There was a carefully worded footnote gratefully acknowledging "the assistance of experts from an interested Member country in the preparation of this document".

*Q: And at the time, who dealt with it? I mean, was there a discussion of the paper, and was there a resolution at the end of it?*

CROSSWELL: I came back from writing the paper in early September, and the Experts Meeting to discuss it was to take place on October 6 (my 32<sup>nd</sup> birthday!). I desperately wanted to go and hear the discussion. I suppose there were probably limits on how many from AID might attend. And, I was certainly inexperienced in these sorts of settings. In any case, I didn't get to go.

*Q: Was there an outcome from this that had some impact on what came next?*

CROSSWELL: Well, as with the NSC, I believe it was a positive discussion that led to a more formal statement. I had taken great care to listen to concerns that I heard, and the main concern was that the 'Basic Human Needs Approach' wouldn't be growth-oriented enough. So, I took great pains in the paper—which, by the way, did indeed expand on the NSC paper; it wasn't just a repeat. We were making progress in articulating all this and making it growth-oriented. It talked about basic human needs-oriented growth, that sort of language. Later in October, the DAC High Level Meeting took place and issued a "Statement on Development Co-operation for Economic Growth and Meeting Basic Human Needs", which emphasized the role of growth. (All of this becomes ironic when we get to the DAC push on poverty reduction in the late 1990s)

*Q: So my question, really, is—this relates to what your next 35, 37 years were, too, in the sense of, here you worked on a quasi-policy paper, not a formal policy document, but obviously something that was attempting to provide direction to the agency, and in the case of the DAC, to other donors—and so my question is: how effective are these papers, in your mind? And with this, I'm asking a more expansive question, because you, more than almost anybody else, have dealt with policy issues over an extended period of time*

*at AID. I mean, is this really an influential way to get things accomplished? Or is this kind of a very nice ivory tower, spinning of wheels—but it doesn't really seem to matter to the rest of the agency?*

CROSSWELL: Well, I wouldn't claim the DAC paper had much impact by itself, except to further our thinking. But the overall process was exemplary as a policy process and had major impacts. If you're going to arrive at a basic goal for foreign aid -- a basic statement of purpose -- you ought to do a lot of homework and analysis. You should analyze the nature of the challenge; the development record and lessons learned; implications for how to pursue this goal; and how it fits with other goals. It's critically important to clearly surface significant issues with the proposed goal and analyze and deal with those issues in a transparent way. (As my teachers used to say, "show your work.") So, beyond the June NSC paper we had three tracks (DCC, Brookings, DAC) doing all that. All three tracks were completed by October 1977. Based on all this work, President Carter signed a decision memo that approved meeting Basic Human Needs as the overarching construct for U.S. foreign aid." (I saw the memo, but I can't find a copy.) To do all that homework get to that point less than a year into the Administration was just remarkable, especially in retrospect.

As to impact, this launched the [Report of the Task Force on Program Procedures \(Feb 1978\)](#) by Ed Hogan and the [Bilateral Assistance Strategy Paper \(March 1978\)](#) that John Eriksson led, along with pretty systematic follow-up on budgeting and country strategies.

*Q: And there you were, the newcomer who was really responsible for putting some of these pieces together.*

CROSSWELL: Some of the pieces, yeah. Or more accurately, some of the inputs.

*Q: So, it must've been pretty heady stuff.*

CROSSWELL: It was heady stuff. Especially after – well, I wouldn't say "languishing" at the Fed, but not really thriving there. For one thing, this work at AID was incredibly interesting and challenging. Second, the issues actually fit well with that obscure dissertation I told you about, and the computer modeling [work](#) that Jim DeMelo and I been working on. So, there was a sense of building on and progressing from work I had already done (unlike at the FED). And three, it was gratifying and good for the soul to be worrying about poverty reduction (compared with inflation in Switzerland.) At the same time -- however gratifying it was to write a good paper on an important issue -- everything depended on knowledgeable, professional, dedicated senior staff who could solicit or stimulate a paper; make the effort to appreciate the analysis and logic; and represent and market the paper to a wider, less technical audience. I was extremely fortunate to have landed in PPC at that time.

*Q: And what then happened? Did you get other assignments that gave you a similar opportunity, or was that kind of the high point, your first six months? It's really a*



*question, also, about the environment in PPC at that time, in the economics area, and the opportunity to do things.*

CROSSWELL: Well, in this case, not only was the initial policy process exemplary. So was the follow-through -- incredibly systematic and thorough. Again, we did a ton of homework, a ton of analysis.

So, the great assignments continued. There were two big streams of work. I think they probably started even before the presidential decision. One was John Eriksson's bilateral assistance strategy paper, and the other was strategic budgeting. So, John is working on how we allocate resources *within* countries, and what a country assistance strategy should look like. Ed Hogan is working on how we allocate resources across countries. These are arguably the two basic issues for any foreign aid strategy.

At some point Ed invited Paul Isenman -- a former AID economist who had moved to the World Bank -- to discuss how to allocate resources among countries for a goal of promoting basic human needs (BHN). Ed included me in the discussion. Paul described the approach he had successfully introduced for IDA. There were two basic criteria -- need and policy performance -- with population as sort of a scaling variable. These three factors were incorporated in a nice little formula that determined each country's share of the overall budget -- immediately clear and logical. From there it was off to the races, working on a budgeting model based on need and commitment with consideration of population size. This was in keeping with language in our legislation (Section 102d).

So, these were the two big work streams -- very systematic follow-through.

*Q: And you were engaged on both sides?*

CROSSWELL: John graciously accepted comments on the strategy paper, but he was definitely the primary author. I have to say one of the wonderful things about PPC at that time is, we were working very closely and collegially across offices. The leadership set a great tone for this. For technical staff the cooperation and collaboration were just wonderful. So, I had every chance to provide comments on John's paper.

For the budgeting model I played a pretty central role. I was good at math and computer programming (again from my graduate work). So, I was essentially on detail to Ed Hogan to build a budget model. Costas did not report to Ed, but he was happy to have me helping on this. The overall effort is described [here](#). It was a large volume of very satisfying work.

*Q: And what was your impression, from where you were sitting, as to how these ideas were being absorbed into the agency?*

CROSSWELL: Well, I was mainly working on the budgeting model, and for a time my horizon was mainly PPC.

To get to your question, I should mention a third effort. The budgeting effort was its own sort of self-contained exercise, premised on hopes that there will be a lot of new resources, so there wouldn't be a lot of pain. John's Strategy paper came out in March 1978. Then came a third exercise -- the guidance for country strategies. This illustrated what is so wonderful about AID. Jock Conley was an IDI, I believe, an international development intern for AID -- like me, a relatively newbie. My recollection is that he comes in and he's the scribe for writing the guidance for country strategies. So new/young people had a real chance to pitch in.

So how was it being seen in the agency? I think the idea of basic human needs and poverty reduction was seen favorably. There were a lot of former Peace Corps volunteers -- including myself—for whom that was a pretty easy sell. There were still major issues: is this about growth? Or is this about direct-impact poverty programs? And that issue just stayed alive, however much we wrote and tried to say, not either/or, but indicate how you get to the right balance. That was always contentious.

It's also important to note that operating units want budgets. So, if policy and strategy lay down markers for how budget requests and proposed country strategies will be considered, and if those markers are authoritative, then...to paraphrase, if you have them by the wallets, the hearts and minds will follow. So, at that time I think the policy and strategy work had a major impact on mission strategies and programs, at least in "DA countries". (Development Assistance, as opposed to Security Supporting Assistance.)

*Q: Did you have any sense as to what the Congress was doing, or what the attitude was there, or how much policy was being driven by Congress? Since, of course, this all grows out of the New Directions legislation, which had been passed in 1974 and became part of the legislation that guided AID operations.*

CROSSWELL: Well, the part that I was quite centrally occupied with was the budget model, what we would call "strategic budgeting". It was an adaptation of the Bank's model. But, in [writing it up and justifying it](#), we started with the legislation, which said 'Focus assistance on countries who are most in need, and who will make the most effective use of that assistance to help the poor toward a better life.' Further, the legislation directed that judgments about where assistance would be most effective should be guided by indicators of commitment and progress in key areas. Charlie Paolillo (who came to AID from the Hill having been involved with writing the aid legislation) was a PPC DAA and was heavily involved in this. He led a big effort to rate country commitment. It involved a lot of discussion and debate.

*Q: And you never had to go up to the Hill with anybody to participate in hearings, or briefings, or anything like that?*

CROSSWELL: No. I wrote a ton of papers and notes, and Ed Hogan and others had a lot of patience, just going over everything. I was kind of a rookie (GS-13), and certainly politically naive. And, also pretty technical. So, I probably wasn't a good candidate for

visiting the Hill. But, thankfully we had more senior people who were willing and able to get on top of the issues AND go to the Hill and effectively explain the logic of this.

*Q: Ed Hogan was at that point head of the budget office, wasn't he?*

CROSSWELL: I'm not sure. According to one document, he was head of PPC/DPRE, but I'm not sure what that stood for. Perhaps "R" had to do with resources.

*Q: It's possible. The key thing in those days would have been to find how the budget people and the policy people worked together, because later on, of course, the budget function was lost from PPC, and some of us, including me, always say that it's that link that was so critical to helping the Administrator, and also having a sensible basis for how one proceeded in priority-setting.*

CROSSWELL: Yes, the relationship between policy and budget is a big theme in this interview.

*Q: Okay, so—*

CROSSWELL: Let me just say, ideally policy should drive budget. And this was a prime positive example. (Later on, the budget process came to drive policy.) Allison Herrick, who I recall as being sort of the main budget person in these days—she was very supportive. I had a sense of very strong teamwork among the PPC senior staff. Everyone had lots of challenging questions, including Barry Sidman, Ed's successor. And so, we would write notes and brief papers and say, "Okay, here's the issue, and here's how we think it should be dealt with."

*Q: You're kind of midway through the Carter administration. Not quite midway. Did this pattern continue over the next couple of years, during the remainder of the Carter administration, for you?*

CROSSWELL: In some respects, yes. There was stimulus all over the place for policy analysis. We pursued the budget model, but we did **not** get big increases in the budget. So that effort was sort of constrained. But in the meantime, we had a publication called "Development Issues," an annual AID publication, at least one chapter of which was talking about big-picture development issues. Also, questions were coming up about non-project assistance. There was a lot of resistance to it. But, we argued "growth is important for meeting basic needs, and non-project assistance can make a big contribution to growth." We kept dealing with this issue of the impacts of growth on poverty. New data and analysis emerged, mainly from the Bank and also from academia. The first World Development Report appeared in 1978, with lots of tables and country data. All that stimulated a discussion [paper](#) on growth, poverty reduction, and foreign aid which shed light on some of the underpinnings of the BHN approach.

At the same time there was a fair amount of organizational turmoil in the last part of the Carter administration. And actually, before that. At some point I was part of the Bureau for International and Inter-governmental Affairs (IIA). I'm a little hazy on all that.

*Q: At some point in 1978-79, I've forgotten exactly when, there was a change in Administrator, because Governor Gilligan left, and Doug Bennet came in. Was there any significant change that you recall as a result of the change of the Administrator?*

CROSSWELL: Well, we were enmeshed in IDCA. There was this whole—

*Q: IDCA, again, was International Development Cooperation Agency, which was?*

CROSSWELL: Yes

*Q: Well, just in a word, I mean, it was meant to be the overall coordinator of all U.S. programs concerning developing countries, but ended up being only concerned, essentially, with AID.*

CROSSWELL: Yeah, and we had the Development Coordination Committee.

*Q: Yes. IDCA was not Doug Bennet's his creation. It was, in fact, the bane of his existence.*

CROSSWELL: Yes, yes. But on the policy front, we carried through on basic human needs. That was the organizing policy rubric or construct throughout.

*Q: That did not change.*

CROSSWELL: That did not change. We wrote a paper, probably in 1979, a Development Coordination Committee Policy Paper, "[Evolution of the Basic Human Needs Concept](#)". It pointed out that we have new data; they are even more encouraging about growth than we originally thought; so, let's make some adjustments in our view of the challenge.

*Q: So, were there any other particularly critical policy questions or issues that arose during the remainder of the Carter administration, that you want to mention?*

CROSSWELL: Looking at my handy list of papers, I think it was mainly follow-through on [growth, poverty alleviation, and foreign assistance](#) and [strategic budgeting](#), work that was helpful and relevant not just at the time but at various points down the line.

One other issue is worth mentioning. We were experiencing the second oil price increase and the international recession, which led to concerns with structural adjustment. The Africa Bureau was concerned about Tanzania. At their request, Jim Mudge, Kwan Kim and I went to Tanzania and produced a lengthy [report](#) (1980) about the structural adjustment challenge that Tanzania faced. That was a preview of things to come. But

through the end of the Carter administration, we basically had set our course and were implementing it, including ongoing policy analysis.

*Q: Did you get involved, at all, in any of the assessment of international, World Bank, and other projects that were being looked at from the standpoint of human rights? And this was the period of the Christopher Committee on that topic.. But did you get involved in any of that work?*

CROSSWELL: No, not that I recall. I was still feeling my ‘technical’ oats from my graduate work. For instance, I wrote a short, very mathematical paper on how to derive econometric estimates of trend growth rates without a computer, essentially as a matter of weighted averages. Costas sent it out to the economists in the field. And, at David Bronheim’s request I worked on a prototype of a spreadsheet for allocations of aid (for various purposes) to countries.

### **THE REAGAN ADMINISTRATION – POLICY, 1981-1983**

*Q: Okay. All right. So, comes the election, at the end of 1980, and beginning in January of 1981, you have a new administration, in this case a Republican administration, and a new administrator, Peter McPherson.*

CROSSWELL: Yes indeed.

*Q: Now, what impact did that have on you and your policy work?*

CROSSWELL: Well, it certainly wasn't a repeat of the approach under Carter. There was no grand review of the goals and purposes of foreign aid. Early on, a memo was circulated that Peter McPherson had written for the campaign, about a—I'm paraphrasing—sort of leaner and more effective foreign assistance program. And I'm not sure “leaner” was quite the word. But the idea was doing more with less. You know, being more effective rather than just—

*Q: Doing better with less.*

CROSSWELL: Yes, doing better with what we had, or with less. I believe the four pillars came out of that. Those were: private sector promotion; policies and policy dialogue; technology and technology transfer, and institution building. These are sort of force multipliers. If you improve policies or strengthen institutions or improve technologies, that influences lots of resources, not just what you're spending. So as much of a review of foreign aid as occurred was eventually fleshing out those four approaches.

*Q: These were the ones that Peter McPherson enunciated as being the focal points for, and the principles and the goals for, AID.*

CROSSWELL: Yes. The overarching goal was, implicitly, broad-based growth and development. Poverty and basic needs were not thrown out the window. Instead, our view

of the nature of the challenge was continuing to shift and evolve. I wrote a paper in 1981 when Congress was asking “Well, are you still concerned with basic human needs?” (This may have been for the “Pressler Report”.) In the late 1970s we had been pushing greater emphasis on growth as the most powerful mechanism for poverty reduction. Now comes a new administration with a strong growth-oriented focus—although there are still plenty of constituencies and forces for direct-impact poverty programs as well. And it's coming at a time when suddenly growth rates in developing countries are plummeting. The issue “Will growth reduce poverty?” becomes a hypothetical issue if there's not growth. It was a quite different approach to policy and strategy than I'd experienced in '77. But it was arguably a timely, positive shift, and not a discontinuous one.

*Q: How much of a shift in leadership was there at that time, in terms of direct impact on you?*

CROSSWELL: Well, through all this time it's important that Costas is there. He was very good at sniffing out analytical opportunities. Identifying policy issues that he and his group could work on and contribute to. Costas seemed to have some rapport with McPherson.

*Q: John Bolton comes in as the head of policy, of PPC.*

CROSSWELL: Yes. He was first General Counsel and then became head of PPC, leaving in 1983. In any case, it was a different approach to policy, in the sense that you don't have an overarching goal and framework from which flow an Agency Strategy and strategic budgeting. The positive was that PPC under Bolton initiated a set of policy papers informally called the “Red, White, & Blues.” There were policy papers on the four pillars, and on other specific topics and sectors. In the first couple of years there were about 12 or 14 of those.

*Q: And who chose the subjects for the Red, White, & Blues? And what did the Red, White, & Blue, other than the flag, stand for?*

CROSSWELL: (laughs) Yes, well the name reflected the cover design for the papers. They were AID policy papers for how we would approach various programmatic areas and issues such as trade, private enterprise development, institution building, agriculture, health, nutrition, and water.

*Q: I'm not so interested in the list per se, but did you have a role in deciding which ones there would be, or did they come from on high and John Bolton said, “There will be policy papers on the following 15 subjects?”*

CROSSWELL: I had no role in setting the agenda, and I'm not really aware of the process. Costas had his group of economists that by now were again part of PPC. There was still the Office of Policy Development and Program Review (PDPR). I suppose between those offices and the PPC front office there emerged an agenda—a list of papers to be done. PDPR produced most of them, though one of Costas' staff did the paper on

Policy Dialogue. They were sensible topics, and I thought the papers were reasonably solid. There was some conservative ideological pressure, but I don't feel that that did violence to the analysis and discussion. Though, I have a story about one paper that's worth telling.

*Q: What's that story?*

CROSSWELL: Well, the word came down that we needed a paper on Public Enterprises. The catchphrase going around at the time— I think from the Deputy Administrator – was “the only good public enterprise is a dead public enterprise.” That was the policy guidance we heard. (laughs) We didn't need to say much more than that, just document and justify.

So maybe it was a hot potato or something. Somehow, it lands in my lap. You don't want a hot potato landing in your lap.

I was quite nervous on several counts. My dissertation work and my other work certainly didn't prepare me for this topic. It was something of an interdisciplinary topic -- not just economics -- and heavily institutional. So, it seemed kind of mushy. And, it was a politically loaded topic, full of pitfalls. The immediate task was to do a background paper.

So, I just wrapped myself in the literature, especially coming out of the World Bank and academia, people like Leroy Jones at Boston University. There had been a lot of work on public enterprises -- plenty of horror stories, but also some success stories. And, discussion of the conditions under which they might do better or worse. And, the need to think about the alternatives. If you're going to do away with a public enterprise, what are you going to have in its place? (Fast forward 10 years or so, to Russia.) So, I retreated into the data and evidence, and assumed my best sort of —you'll appreciate this—Bank, gray-cover speech. “On the one hand, on the other hand,” and so forth. It was a dry paper (on an unexciting topic). But it was a relatively thorough and analytical review, about 52 pages, including 8 pages on policy implications for AID (e.g. analyze on a case-by-case basis.) I still have it and I feel pretty good about it.

It went up to the front office and I held my breath. According to some notes I checked, Bolton did not like the paper. But John Eriksson defended it. In the end it was decided that we didn't really need a policy paper on public enterprises after all. There were some plans for it to appear as an AID discussion paper. But I was happy to drop it.

*Q: So you succeeded! (laughs)*

CROSSWELL: Compared with initial fears and expectations, that was a win. It was a triumph for policy based on evidence and analysis, as opposed to policy pulled out of the political air. (More on that later.) And, I must give some credit to Bolton. He didn't just say “Write this, and make sure you say XXX.” On the other hand, it may have fed his mistrust of the bureaucracy.

*Q: To what degree do you think, at that time, the agency was still relying on heavily investing in public enterprises?*

CROSSWELL: Good point. I imagine not much if at all, maybe some activities related to agriculture or perhaps in some large ESF programs. But we were supposed to engage in policy dialogue, and public enterprises (say in Egypt) would be fair game for such dialogue. And there **was** a paper on the private sector, promoting the private sector, and I expect it talked about privatization and so forth.

*Q: Well, there was a much more active private sector office, too, during that administration, headed, if I'm not mistaken, by Elise Dupont from the Dupont family.*

CROSSWELL: I remember the name, I'm not sure the timing...

*Q: It started even before I left.*

CROSSWELL: But not in PPC?

*Q: No, elsewhere.*

CROSSWELL: In a central bureau, yes. But, to PPC's credit—this is an important point for later—we did not turn to operational bureaus to write policy. That's extremely important, because of operational interests, preferences, and biases.

*Q: Right, but it does get back to the question, again, as to what degree these policy papers had any influence over what the operational bureaus were doing, both in Washington and in the field. And do you have any sense of that? Now we're into the Reagan administration. You have Peter McPherson, who is more broad-minded than most. Where do you see, or how do you see, the influence of policies in the eighties?*

CROSSWELL: Good question. I mainly wrote policy analysis and background papers. And, in those years I started focusing more on individual countries. I didn't write any policy papers and then ask, "Did this policy get implemented or followed?" I didn't have direct experience with the implementation of a policy. They were very much seen as statements. "This is where this administration stands on this issue, and this is our approach."

*Q: Right. For public consumption.*

CROSSWELL – Well, thinking further about it, country strategies, programs and projects came back for review and approval in Washington. I recall that PPC staff participated actively in those reviews. So, it behooved missions to make proposals and design projects that conformed with those policies. So, I believe those policy papers were indeed a lever for influencing programs.



*Q: But you did not feel the heavy hand of ideology on the papers that you were being asked to prepare, is that right?*

CROSSWELL: That's right, not in the work I did (leaving aside the public enterprise example mentioned above). Our economics work was very market-oriented. I did some papers on effective LDC policies for Development Issues and for our participation in UN conferences. And I was working more on country strategies. So, I didn't feel very constrained. We economists were comfortable with the general policy thrust of the administration, especially policy dialogue and promoting the private sector, which we interpreted as promoting private markets.

*Q: Well, that's interesting in and of itself. I wonder to what extent that was Peter McPherson's influence. And John Bolton, you would have thought—given what we know about him subsequently—would've had a heavy hand. But you didn't see that?*

CROSSWELL: I didn't see it. Now, remember, I'm working on economics and economic growth, and we're market-oriented. We like the private sector and we believe policies and institutions matter. I can imagine people working in areas such as population and health and land reform felt ideological pressure.

*Q: But you were working virtually cheek-by-jowl with those people, but they weren't expressing great alarm and unhappiness about what they were doing?*

CROSSWELL: Well, with IDCA and then reorganizing and the new PPC leadership, there was more distance between offices in PPC than during your time – when we were all making a concerted effort towards a somewhat new overarching goal (Basic Human Needs). We had the four pillars, but there was not an overarching strategy that called for systematic follow-up across offices. And, there was more separation between Costas' outward looking office (interagency, MDBs, etc.) and PDPR. Within PDPR, my main contacts were with economists like Jerry Wolgin. According to Jerry, he got along with Bolton reasonably well.

Reflecting on it, there's an important distinction between (principled) ideology and crass politics. In the area of economics and markets, ideological conservatives have great faith in the workings of competitive private markets and are very pessimistic about government interventions in markets. But – as with the public enterprise paper – they are at least somewhat open to evidence and rigorous analysis that might justify such interventions. More politically oriented conservatives cheer for private markets, but at the same time they don't mind seeing the government step in to directly help American firms overseas. And, they don't appreciate evidence and analysis pointing out that such interventions are economically unwarranted. So, crass politics – whether on the right or on the left – has been much more challenging to deal with than ideology in my experience as a policy analyst.

And, I don't mean to imply that Bolton was beyond crass politics. Here's another story that I think is worth telling, just to provide some balance.

*Q: Go ahead.*

On May 18, 1982, Jesse Helms inserted into the Congressional Record a statement entitled “The U.S. Foreign Aid Program Has Broken the Bank and the Backs of the American Taxpayer”. It was extensive and detailed, with lots of data and tables. Helms claimed that the cumulative cost of foreign aid between 1946 and 1980 came to an astounding figure of \$2.302 trillion dollars – a figure that he found so astonishing that he “sent it back to be checked again”. This far exceeded the “trillion-dollar national debt now smothering the U.S. economy.” And, it dwarfed the \$268 billion in cumulative expenditures of foreign aid over that time period.

Helms went into precise detail about the methodology. It had some validity. To get the present value of the cumulative cost of foreign aid, he assumed that all aid since 1946 had been financed by issuing government bonds with a term of three years, which would then be redeemed and reissued, in ever larger amounts to cover both accumulated interest and principal. Using this approach year by year, he presented detailed tables to show that the stock of outstanding bonds by 1982 would come to \$2.3 trillion.

Costas asked me to take a look, to see how we might defend ourselves. The analysis ignored the benefits that resulted from foreign aid since 1946, which included the Marshall Plan and other efforts to stem the spread of Communism. It also ignored that much of the foreign aid was provided as loans, which eventually generated repayments. Those should have been “capitalized” to the present day and deducted from the costs.

Then, as I stared and stared at the tables a basic error became apparent. As each series of three-year bonds came up for refinancing, Helms’ tables added the new bonds to the total, but did not deduct the value of the retired bonds. This fundamental error meant that the \$7 billion in three-year bonds issued in 1946 was counted eleven times instead of once. That error alone resulted in a four-fold overstatement of the “cost” of foreign aid. Other plausible adjustments (including loan repayments) reduced the total much further.

With great excitement I wrote up my analysis. It was duly applauded by my peers and supervisors and passed up the line to Bolton. I waited for the headlines. Nothing happened. As far as I know the paper went nowhere – no statement by AID, no retraction by Helms, no correction of the record. So crass politics and political loyalties apparently won out.

There’s more. In the mid-1990s Helms becomes chair of the Senate Foreign Relations Committee. The Deputy Administrator, Carol Lancaster, passes around his May 1982 statement, warning that we might hear some strange numbers about foreign aid. I passed her my 1982 paper. We had already dealt with that particular attack – at least internally.

*Q: That must have been satisfying.*

It was very satisfying, but also very frustrating. That attack by Helms should have been refuted right away.

More generally, my exposure to Bolton was limited – both direct and indirect. There was less emphasis on background papers and policy analysis, so the economists in Costas' group had less opportunity for policy work. And, I was gravitating towards country work – structural adjustment in Kenya; economic modeling and Social Accounting Matrices in Egypt; and evaluating [food aid and structural adjustment in Jamaica](#).

## **THE REAGAN ADMINISTRATION; CHIEF ECONOMIST FOR ASIA, 1983-1989**

*Q: All right, so you moved to the Asia Bureau, how did that happen?*

CROSSWELL: Well, there were two factors. First, the climate for productive, interesting policy work was deteriorating.

*Q: Costas, by this time, had left.*

CROSSWELL: Costas leaves in '82 or '83, a huge loss from my standpoint.

*Q: Goes to the World Bank to work with Anne Krueger.*

CROSSWELL: Yes. And, many of the very good economists he had hired in the 1970s left as well. They went to the Bank, IMF, USTR, or to regional bureaus in AID and did some great work. Costas was replaced by Rufus Waters, whom I recently learned was known and appreciated by Jesse Helms and his staff. In any case, he sure wasn't Costas. Keith Jay – Costas' right hand man -- headed for the Bank too. I think a lot of people were saying, "Well, this isn't a setting that's going to generate many good work opportunities."

The second factor is that I was now a GS-14, looking to advance to GS-15. The Asia Bureau provided a good opportunity by creating a new Chief Economist position. I had worked with Larry Smucker (a senior official in PPC in 1981) and he was now in the Asia Bureau.

*Q: Was he the program officer, the head of the DP?*

CROSSWELL: Yes, that would be Asia/DP.

*Q: And the chief economist works for him?*

CROSSWELL: Yes. They had a couple of economists, but they did not have a chief economist. And, there was a big hiring effort going on for economists. There was a big push on economic growth at that time. They wanted good economists in missions. They wanted them undertaking policy dialogue and they wanted them to promote policy

reform. Costas -- before he left and with support from regional bureaus -- had encouraged McPherson to make a big hiring effort, to beef up the economic staff.

*Q: Which he did.*

CROSSWELL: Which he did. I think it involved Costas and Tom Morrison in PPC and the senior economist in each regional bureau. At some point Jerry Wolgin becomes the Africa Bureau chief economist, Jim Fox becomes the Latin America Bureau chief economist, and Dick Johnson is in the Near East Bureau. Asia did not have as strong an economics staff, so they wanted to beef up. So, I think Larry thought of me. However, it took a long time, including negotiations back-and-forth with the Foreign Service union, because I was Civil Service (as were Jerry and Jim). But eventually it happened. That's a long answer.

*Q: And how long did you stay in the Asia Bureau?*

CROSSWELL: From late 1983 until Fall of 1991. Well, I started in the Asia Bureau. Then it became the Asia Near/ East Bureau around 1985. Then the Iron Curtain falls and there's the Asia and Private Enterprise Bureau, alongside the Near East and Europe Bureau. So, there were various incarnations of the Asia Bureau, but I was Chief Economist throughout.

*Q. Did the work that you were doing change appreciably from what you were doing in PPC?*

CROSSWELL: It was quite a change and a learning experience. It took a while to find my footing. The economics office in PPC had provided support to the regional bureaus on country strategies and other analytical work, and I had worked on Tanzania, Egypt, Jamaica, and Kenya. Mostly with a focus on structural adjustment. So, the country work was familiar. But this was an operational bureau, and something of a departure from my policy analysis work. Charlie Greenleaf was head of the bureau and Rocky Staples was Deputy. They were great to work for. In the introductory cable he sent to the field, Greenleaf indicated that I was to advise him on economic issues and help strengthen economic analysis and research capabilities in AID/W and field missions.

*Q. On the research side was this a pattern that was true throughout the agency, that each regional bureau had its own research program?*

CROSSWELL: I think Africa Bureau eventually had a pretty robust research portfolio. LAC did not do much research. I had monitored (but not launched) several PPC research projects. But I didn't know much about initiating and developing a research project.

*Q. Was it meant to be research done by the staff in Washington or people brought in as contractors to work in the field?*

CROSSWELL: Both. I'm the world's worst at devising ways to spend money—you know organizing contracts and so forth. I eventually came up with a research agenda – working with the mission economists, particularly at the November 1984 AID Economists' Conference. But according to my notes, there was no go-ahead in terms of resources. Otherwise, I paid much more attention to leadership and support for economists and economic analysis; and writing notes and short papers for the front office on issues that came up. And, there was a fair amount of pressing country work to do, particularly the Philippines.

*Q. So much of what you were doing was focused on country strategies?*

CROSSWELL: Yes. And during the 1980s country strategies often involved issues of structural adjustment. I had run into those issues already in my country work while in PPC. And, it seemed to me that the underlying analytics and logic of structural adjustment were not well understood by non-economists and even in some cases by economists. So, I wrote quite an extensive (90 pp.) paper on the logic of structural adjustment and how to understand it and even measure progress – sort of a primer. I applied a framework developed by Fred Jasperson at the Bank to the Philippines. That was the sort of “research” I did, producing analytical background papers. It was a general paper that could have been written in PPC. It was part of my initial work plan.

*Q: But one that was basically a descriptive paper? And since you've been so instrumental on the basic human needs approach, and the advocates of basic human needs tended to be the people who were unhappy with structural adjustment—so here you are covering the two major directions, if you will, of aid programs within a period of a few years. How did you make that shift?*

CROSSWELL: Well, I'd like to think of the paper as analytical and instructive. In any case, the amazing thing is that in both areas – basic human needs and structural adjustment -- my graduate work on general equilibrium models paid off in spades. You can use multi-sector general equilibrium models to look at returns to factors of production, and whether sectors are labor-intensive or not. (See the [De Melo paper](#).) And the Social Accounting Matrix work in Egypt was all about linking sectors and factors of production (especially labor) to household groups including the poor. So, for basic human needs we could think in terms of a sectoral pattern of growth that generated employment growth for unskilled labor, thereby reducing poverty.

The structural adjustment problem is that suddenly foreign exchange becomes much scarcer due to oil price increases, debt crises, etc. So, the challenge is one of changing the pattern (or structure) of production and demand, so that the country can economize on foreign exchange – more exports and fewer imports. So it's the same analytical problem – looking at the sectoral pattern of growth and demand to take advantage of what is abundant (unskilled labor) and to economize on what is scarce (foreign exchange).

So they were equally satisfying, and completely harmonious topics to work on because the sectoral pattern of growth that helped structural adjustment was typically one that

relied more on domestic resources – including labor – than on imports. And, with comparative advantage, increased exports often depended on greater employment of unskilled or less skilled labor. So, the implications of structural adjustment—less capital-intensive industry, less foreign exchange-intensive production, increased attention to agriculture—are that you’re shifting towards sectors where growth will benefit the poor even more.

*Q: Was AID doing much of what you would call structural adjustment lending or programming—it was obviously a big feature of the World Bank . . .*

CROSSWELL: I don’t think we played a lead role in any countries, we deferred to the Bank and Fund. But we had to understand the challenge. And, we had to make sure that our sectoral programs (or non-project assistance) supported rather than thwarted adjustment and growth. That had been the issue in Tanzania, Kenya, Jamaica, and now the Philippines and elsewhere. The [Papers and Proceedings](#) of the November 1984 Economists’ Conference reports that many if not most of our recipient countries had adjustment programs. (By the way, Bob Muscat’s overview piece in that report provides an excellent picture of economics and economists in AID in the mid-1980s, as does the report itself.) And -- as I’m sure you recall -- these were incredibly controversial issues in the 1980s, with lots of debate about orthodox versus heterodox approaches to adjustment, and whether structural adjustment stifled growth.

More generally we were supposed to engage in policy dialogue and in programs that supported private markets. We needed to know whether our programs made sense in the context of an adjustment challenge. Some countries were saying “oh this will ruin our growth, that will hurt the poor, it will hamper our economies.” We needed to understand the underlying issues and the logic of adjustment measures.

*Q: Each of the missions had an economist or several economists?*

CROSSWELL: Yes, we made a big hiring effort during McPherson’s time. The economists— the bureau chief economists and a senior economist from PPC — pretty much ran that recruitment process with participation from Personnel. So, we were recruiting people, placing people, and encouraging missions to beef up their economic staff.

*Q: And did most of those people stay beyond the two-year assignment?*

CROSSWELL: I think most of the initial assignments were for four years. In any case, we were hiring them as mid-level career foreign service officers. They stayed as long as there were good opportunities for economics work. During the latter 1980s there was the Development Fund for Africa led by Larry Saiers and Jerry Wolgin. Elsewhere, there were big ESF programs (in Asia, Near East, and Central America). And then after the fall of the Iron Curtain there were programs in the former Soviet Union and Eastern Europe that emphasized economic transformation and growth. So as long as those opportunities

were there, people stayed. But many left—especially in the ‘90s when economic growth programs funded by development assistance really got starved.

I thought our batting average on recruiting was pretty good. I’d say about 70-80 percent worked out pretty well. And, when some of those economists started to leave, they often went to the Bank, the Fund, and the Inter-American Development Bank.

*Q: Was there a secret to your recruitment there? The appeal of the job? How was it done so well?*

CROSSWELL: I think there were several keys. One was that we had a structured interview question – one that emerged from the Tanzania study. A hypothetical country faces a serious adjustment challenge and officials are saying the IMF is all wrong in recommending exchange rate devaluation. They have a set of arguments about why it's bad. The mission director is turning to you, the economist, for advice and counsel. From this we would have a conversation about various issues. It made for a good discussion.

Second, we had a vested interest in whom we hired. Each regional chief economist was looking to fill positions in the field. So, we had a direct stake in the outcome. Also, we were hiring at the mid-level – experienced candidates with something of a track record, and who could judge whether AID would be a good fit.

*Q: And the economist played an active role in helping to choose priorities at the country level?*

CROSSWELL: Well, definitely an active role in the country strategies. As long as missions had discretionary resources and latitude for strategic choice, economists had a role to play. The economists were in the program office if not the front office. I think the economists played an important role in coming up with a coherent country strategy, within which Mission staff and the various sectors would make their bids for resources. Later, priorities were increasingly determined in Washington through earmarks, directives, and initiatives. This along with overall personnel cutbacks reduced demand for economists and economist positions, particularly for countries receiving Development Assistance.

*Q: And you yourself, in addition to working on structural adjustment—were there other major elements of your work in the Asia Bureau, during the eight or nine years you were there?*

CROSSWELL: There were specific country programs, and there was general structural adjustment. I was doing a lot of work on the Philippines and Pakistan programs. At that time missions would have to bring strategies and major program proposals back to Washington for approval, so they had a strong interest in people from Washington coming out to participate and help and presumably help defend or at least explain in subsequent reviews in Washington. I also worked quite a bit during this time on how to evaluate non-project assistance such as Commodity Import Programs (CIPs) and Title I

Food Aid programs. These helped alleviate foreign exchange constraints and they were often tied to policy reforms. There was also a major, somewhat controversial energy project in Pakistan that I worked on. Later, I worked quite a bit on trade and investment.

*Q: The four pillars remain strong and so on and so forth?*

CROSSWELL: Well, the series of “Red, White, and Blue” policy papers sort of stops around 1986 or so, about the time of McPherson’s departure. PPC was not producing policy papers or analytical work as before. In my experience that’s a sign of a weak policy function – there are always policy and strategy issues out there, but there’s not always interest in taking them on. In the Carter and Clinton administrations, the initial policy frameworks generated ongoing policy analysis until the end of the Administration.

*Q: But in the Asia Bureau you're focused on what the country issues are. So you're not particularly paying attention to what's going on in PPC at that point. So Alan Woods comes in, is there for only a few months . . . and commissions a report?*

CROSSWELL: Yes, the [Woods Report](#). Alan Woods arrives in 1987. It’s apparently understood that he will remain if the Republicans retain the Presidency. But before long he is facing major health issues. The “Woods Report” appears in February 1989, just as the new Administration has started.

Meanwhile there is turnover in Asia Bureau leadership. We eventually have Carol Adelman as head of what is now the Asia/Near East Bureau with the young Liz Cheney as a special assistant. We also have a much stronger economics staff, including Don Sillers, Kiert Toh, Roy Grohs, David Carr and others. And we have great leadership in the DP (Development Planning) office with Barry Sidman and eventually Peter Davis as DP chief, and Len Rogers (formerly PPC) as the Deputy.

The importance of what’s going on in PPC – weakening of interest in the four pillars and little in the way of policy work – is that something of a policy vacuum starts to develop. We’ve been strongly interested in growth; policies and institutions; private markets; and structural adjustment. But there’s no ongoing policy work to maintain that emphasis. Nor is there strong leadership from the top.

An emerging issue is trade and investment. We’re in the latter ‘80s and Japanese exports to the US are growing rapidly. The trade deficit is increasing. The view emerges in some quarters that what we really need is not good old conservative free trade—we need something more like managed trade. We need to intervene to promote our exports, just as Japan does, including with foreign aid. Those arguments seemed to appeal to the ANE Bureau leadership. They were also politically attractive -- promoting U.S. business and commercial interests. So, trade and investment became a large and contentious issue.

*Q: Again with the intent of influencing country choice on project and program priorities?*



CROSSWELL: Yes, or perhaps as a centrally funded bureau initiative. To the extent there's still an economic growth budget, what should we be spending it on? So there was some pressure and encouragement to spend it directly on promoting the private sector and directly promoting trade and investment.

*Q: What would that look like?*

CROSSWELL: Support for trade facilitation and investment facilitation, with an eye to helping U.S. business. Helping make deals happen. Here's an [example](#).

*Q: Technical assistance?*

CROSSWELL: Yeah. Entities and organizations that would help potential investors. Also, mixed credits. We economists were pushing for more emphasis on policies and institutions. More generally there was mounting tension between interventions that were politically attractive and interventions that were economically and developmentally sound. This is just the kind of policy issue PPC could and should address. But, PPC was fairly passive in those years.

*Q: So the [Woods Report](#), was that influential at all?*

CROSSWELL: Not in my view, for several reasons. First, it was mainly produced by a relatively new PPC political appointee, Cliff Lewis. He became the DAA overseeing PPC's office for policy development (PDPR). I believe he had been at the Bank—but I believe his background was as a private sector finance type, and not an economist.

As far as I could tell he single-handedly wrote this report with data and empirical support from what I now think of as CDIE -- Janet Ballantyne and her group. The main messages (and I believe most of the writing) were his. I expect there were some commenters, but I don't know of anyone who would have been a co-author or a contributing author. I have it on pretty good authority that the career staff in PPC's office for policy development had no input at all. So, internal participation and ownership were extremely limited.

I would call it decent report as far as it went. The length and format resembled a World Development Report. It provided a conservative's view of the challenge of growth and development, and the links to US National interests. It was written under the rubric of development and growth, so other emerging goals and priorities for foreign aid weren't recognized or discussed.

However, it was essentially an essay. It concluded not with implications and recommendations for AID, but rather with "Seven basic questions about development" -- very broad questions. Those might have defined an agenda for policy analysis. But there was no follow-up. I understand that Lewis departed within about six months of the publication date, soon after Alan Woods passed away.

Contrast this with either the four pillars or basic human needs, each of which launched a ton of subsequent policy work. These rubrics were starting points, and we fleshed everything out.

So, there was limited ownership; little in the way of strategic implications; and there was little or nothing in the way of follow-up to develop those. Further, it was somewhat behind the times as the budget was changing, and global issues and special concerns were starting to become important.

Indeed, the more relevant document for purposes of policy was the [Hamilton Task Force Report](#), which also appeared in February 1989.

*Q: But the budget was changing in a downward direction?*

CROSSWELL: I'm not sure about the levels, but the composition was changing. There were a lot of competing claims on the budget that were their own self-standing concerns. An expanding agenda for foreign aid. A standard development construct as in the four pillars or the Woods Report just didn't fit what was happening to foreign aid in those years and what continued to happen. (That same problem has persisted. Many discussions of foreign aid – in think tanks and donor forums -- erroneously assume that aid is only about “development”.)

### **THE BUSH 1 ADMINISTRATION – FROM ASIA BACK TO POLICY, 1989-1993**

*Q: But then George Herbert Walker Bush comes in and is that when Roskens takes the place of the late Woods?*

CROSSWELL: Woods passed away in June, 1989 and I believe Roskens arrives around late Spring 1990. And remember that even before his death Woods was in poor health and not fully running the Agency. My impression of that time – between the departure of McPherson and the arrival of Roskens; and in the absence of an overarching policy framework -- is that heads of the operational bureaus were increasingly pursuing their own development or foreign aid agendas.

*Q: So you're still in the Asia Bureau?*

CROSSWELL: Well, since 1985 or so it has been the Asia/Near East Bureau. As I mentioned, around 1987 the Bureau leadership developed a strong interest in promoting trade and investment, as a politically attractive initiative or theme to serve U.S. commercial interests and help U.S. businesses. However, as chief economist I was pointing out the importance (for growth and development) of addressing policies and institutions – emphasizing the framework for trade and investment rather than assisting specific businesses and ventures. (There's an interesting parallel with poverty reduction – the tension between broad systemic approaches and relatively narrow, direct, targeted approaches – which are often more politically attractive.)

More generally over time there were recurring instances of conflict between sound economics and political interests. While I was getting great support from my office leadership, it eventually became an uncomfortable relationship with the front office.

Fortunately for me, around mid-1990 AID reorganized to respond to the fall of the iron curtain and the emerging challenge of transition from Communism. We established a Bureau for Europe and the Near East; and a Bureau for Asia and Private Enterprise led by Henrietta Fore. I joined the latter bureau as Chief Economist for Asia. Interestingly – despite the bureau’s dual mandate -- the tensions about how best to support the private sector and private markets subsided considerably under Henrietta’s leadership (and George Laudato, her deputy). She had actual experience in the private sector. She emphasized a very principled approach to promoting private enterprise -- support well-functioning private markets. So, this is happening in the first six months or so after Roskens arrives.

*Q: And what then were the characteristics of the Roskens period? Any highlights/lowlights from a policy standpoint?*

CROSSWELL: Well, from a policy standpoint it was initially the worst of times and subsequently the best of times.

As Roskens arrives in mid-1990 or so, the agency has been without effective leadership for several years; and PPC and the policy function seem to have declined. There’s considerable decentralization and policy incoherence; and an expanding agenda for foreign aid, including the transition from Communism. The [Hamilton Report](#) (1989) has raised critical issues about numerous goals and objectives, some of them overlapping or even conflicting. The demise of communism has undermined national security arguments for developmental foreign aid. So, we need some sort of overarching policy framework (or “story”) that will command confidence and support on the Hill.

In July 1990, a committee of four senior staff (none from PPC) drafted an information memorandum for the Administrator that took stock of the situation and proposed three initiatives (for democracy, economic growth, and management). In September a new [Mission Statement](#) appeared with six “principles” that looked very much like functional objectives – democracy, free markets and growth, individual well-being, environment, transnational issues, and humanitarian assistance. By December four initiatives had been formulated – the Democracy initiative; the “Business and Development Partnership”; the “Family and Development”; and Strategic Management.

Authorship of all this was not clear, including the role (if any) for PPC. They seemed to me to be very top-down, and not based on evidence or analysis. And, to this economist the Business and Development Partnership looked like a distinctly inferior way of promoting “free markets and growth”. Instead it appeared to be driven by political/commercial interests. Overall, the “initiatives” seemed to be somewhat opportunistic. For instance, the transition from Communism at this time gave a huge political boost to democracy programs in other regions.

This is taking place as Roskens is getting acclimated. His style was very off-putting and condescending towards staff. But sometime in late 1990, he appears to have recognized the policy incoherence and disarray. He complained that the agency “was not speaking with one voice”. That is, if you asked staff what Agency core priorities were, you would get different answers depending on whom you ask. I believe it’s to his great credit that he appreciated that problem.

So, he launched a reorganization to address it. In particular, he formed three task forces – one for Policy, one for Operations; and one for Management. I was invited to join the Policy task force and our work began in January 1991. (See the March 1991 [“Reorganization Update #3”](#) for more on the rationale and process. Henrietta Holsman Fore was head of the management group, and Tim Fry headed the operations team.)

Scott Spangler – AA for Africa -- was head of the policy task force, with about 14 members. It was a great group, a mix of senior to mid-level staff; political appointees and career staff; and foreign service and civil service. Spangler did a wonderful job of bringing the team together, organizing the work, and overseeing the process. He had come to the Administration from the private sector, but he had an excellent understanding of how government should work and deal with issues. We all recognized the disarray in policy, and so we tried to understand why this was so and how it had come about. Over the course of three months we worked most afternoons for three hours – two hours of interviewing and one hour of digesting and discussing. We conducted around seventy lengthy interviews. So it was very thorough and participatory. (See the [Report of the Policy Task Force](#), April 10, 1991)

In the report, our analysis of the one-voice problem took the form of a list of “suspects” – various factors (not mutually exclusive) that could plausibly explain the problem (based on interviews and our own experience.) We did not venture judgments about relative importance, we just identified and discussed each one. So, all views (including competing views) were heard and recorded. Then we essentially said “here's what it would take” to reestablish coherent policy based on evidence and analysis. We had to return to that approach to policy rather than pulling initiatives out of the (political) air. That was the message.

*Q: Was it acted on?*

CROSSWELL: Yes indeed. The Task Forces delivered their reports and the Agency reorganized in September 1991. And again, Roskens showed good judgment—in my view—on two counts. First, he established a new policy directorate; and a directorate of operations to oversee the operational bureaus. Second, he put great people in charge.

*Q: There was still PPC?*

CROSSWELL: The Policy Directorate (POL) replaced PPC. Reggie Brown was the head of PPC, and he took command of the Near East bureau. POL was headed by Kathryn

Morgan (not Senate-confirmed), whom Roskens apparently knew well and trusted. If he wanted the Policy Task Force recommendations about how to conduct policy and address the “one-voice” problem to be implemented, this was a person he could trust to do that. Larry Sayers was Deputy. I think Sayers had the complete confidence of Kathryn Morgan and he was extremely capable. So, there was great leadership.

*Q: Had Larry Sayers come from inside the agency?*

CROSSWELL: Yes, he had come from the Africa Bureau, which was really, I think, the shining light of the agency in those years. He had spearheaded the Development Fund for Africa (ably supported by Jerry Wolgin) and had come up through the foreign service economist ranks.

Scott Spangler becomes head of the Operations Directorate, which oversees all the operational bureaus. Len Rogers runs the program office. So Roskens made some great appointments, within a good operational structure – one that could address the “one-voice problem”.

*Q: So do you think that structure is a good one? It corrected some errors, but was it—as you look back at the various kinds of structures you've seen—was the structure that Roskens put in place one of the better ones?*

CROSSWELL: Well on the policy side I would say absolutely. I think it led to a golden era for policy, though a brief one.

*Q: And did it retain the budget function?*

CROSSWELL: No it didn't retain the budget function.

*Q: But you've been arguing that the two should go together—*

CROSSWELL: Yes they should.

*Q: But you think this was a good arrangement?*

CROSSWELL: Well you know—it wasn't “the whole enchilada”. But compared with where we were it was a big step forward. Where policy was concerned there was disarray and incoherence. So, we had a major task in front of us trying to bring some order out of chaos. Before policy can inform and drive budget, you have to establish reasonably coherent policy.

Within POL, this fell to a new office, the strategic planning office under Larry Crandall and Mike Morfit. They had considerable latitude in staffing, and they were very eager to follow up on the Policy Task Force Report. They wanted to come to grips with the trade issue; and with the more general issue of policy coherence and clarity about AID's core goals and mission.

*Q: What is the identity, mission, and goal of the agency at this point?*

CROSSWELL: Yes, that was the main order of business. Just one quick word on the operations side. Some viewed it as a cumbersome arrangement. But at that point if you had to rein in some fairly independent operational bureaus and get them pulling in the same direction, this could help.

*Q: And you were not at that point part of the policy directorate, you were still in Asia?*

CROSSWELL: When the Policy Directorate was established and Larry Crandall formed the strategic planning office, I was recruited to join that office. That's when I returned to policy work. We all started in Fall of 1991.

*Q: So, as you look back on the eight-year period that you were working on Asia, was this a satisfying period for you overall? I mean you're glad that you did this?*

CROSSWELL: Absolutely. First, I have to say that every year in AID was satisfying in the sense that I could look back each year (typically at the time of my performance review) and see a lot of interesting, challenging, rewarding work. Often there were good assignments or even just questions. Other times I just grabbed an issue that was sitting there and wrote something. There were some very good years when my work had more of an impact or played a greater role, and some frustrating years when my work did not. There were some discouraging moments, but never dull moments. So, that's a wonderful thing about AID in my experience.

More specific to this time period, it was a great time to be a regional bureau chief economist, and part of a thriving economics community. In terms of economics, that was a high point. The economists tackled a lot of interesting technical issues. And, we had a genuine sense of community.

And, working in a regional bureau was extremely helpful in providing me a degree of field orientation, and an appreciation of how policy could help or hinder the field. Peter Davis was especially helpful in that. So was Bruce Odell. And Barry Sidman. And Marge Bonner on the policy task force, who emphasized the problems created for the field by a constant barrage of "bright ideas" and special concerns from Washington. And too many others to name. I traveled to a lot of missions and developed great regard for those trying to achieve results in the field. It gave me very valuable perspective on the policy function.

Also, in some sense I think I found my voice in that time and place. In PPC during the Carter Administration I felt I had found my "calling", the kind of work I was meant to do. But, I was fortunate to be dealing with like-minded, appreciative, dedicated senior staff. In PPC under Bolton, I wrote some challenging papers. But, more senior folks like Costas Michalopoulos and John Eriksson intermediated and represented my work. In Asia Bureau, an early performance review noted (very constructively) that I was not yet

aggressive enough in presenting my views, and sometimes too deliberate [i.e. cautious?] in approaching issues. By the time I left the ANE Bureau, I was much more assertive in recognizing issues; raising and analyzing those issues; and proposing positions. That meant “speaking truth to power”—to the point where I fell out of favor with senior management in ANE. By that time, there seemed to be considerably more tension between political interests and sound, evidence-based policy than I had experienced before. Recognizing and dealing with that tension helped immensely on the Policy Task Force, and my subsequent policy work.

While I enjoyed my regional bureau work and learned a lot, in my heart and soul I had become a policy analyst. What I learned after McPherson left is that if the Agency is not governed by core goals and by sound policy and strategy for pursuing those goals, then that opens the doors to interest groups and policy driven by political considerations rather than evidence and analysis. That’s typically to the detriment of aid effectiveness; and to the Agency’s reputation and standing as a professional organization. So, I became aware of the importance of the policy function.

*Q: That's more appropriately done in the central policy bureau than in a regional bureau.*

CROSSWELL: Yes, but with some qualifiers. First, if the central policy bureau is neglecting the policy function, then operational bureaus will fill that vacuum and make their own policy. In a sense that is what happened in ANE and elsewhere, helping give rise to the “one-voice” problem. Second, on issues like structural adjustment, the economics community in AID (including PPC) pretty much came together on a common view, without a formal policy effort led by PPC. That was the core issue in all regions for an agency concerned with economic growth and policy dialogue. Third, in the instances where PPC undertook policy work, there was good collaboration between PPC and the regional bureaus. I worked closely with Dick Sines in PPC on a [draft middle-income country strategy](#) in 1990.

*Q: So you've been in—let's see—you've been in AID from '77 to '91 or '92. You're no longer a young whippersnapper. Any other thoughts that were crossing your mind at that point? A general sense as to what you'd been through at AID?*

CROSSWELL: Well, I want to say a little more about what happened in the last years of the Bush administration after the 1991 reorganization, because there was a great revival of the policy function. And it speaks to the vitality of AID, that there are sometimes genuine opportunities for renewal. These can be unexpected and fleeting, so you have to grab them.

I moved to the new Policy Bureau (POL) in September 1991. Right off the bat we came up with a policy agenda. One of the first items was the trade issue which was hugely contentious – aid for framework/systemic interventions? Or for direct help to U.S. businesses? Carol Grigsby led that policy process as the trade policy person, and the other PPC economists and I were very actively involved. It was very systematic. We

started with an *initiating memo* that explained the need for a policy; and *a note that identified nine underlying issues*, and the competing arguments. This was presented in a very even-handed way. Then we did *a compact analytical paper on each issue*, with participation and comment from throughout the Agency. Then we wrote a *report of our findings*. So, we got to the heart of the issues; arrived at a sensible position on each one; and had the foundation and substance for a policy – one that emphasized “framework interventions” rather than more direct support for U.S. business. It was an exemplary process. It took about six months – pretty good considering the contentious issues.

We (primarily Carol) wrote several drafts of a trade policy and vetted them both within AID and with concerned USG agencies over the summer of 1992. The last draft was in September. However, we could not reach closure with some bureaus on the key issue of commercial interests. With the election pending we decided to wait for the new Administration. We never did write a new trade policy, but the findings and implications were largely embraced by the next administration and guided our approaches. That was instructive – good policy analysis has a long shelf life, even if it doesn’t immediately result in a policy.

*Q: But was that the intention? I mean the responsibility for trade is not like the British aid program where trade with developing countries is a direct DFID responsibility. What was the interagency relationship to this kind of trade work that you were doing?*

CROSSWELL: Well, one of the important issues for the policy was “What approaches by AID would be most compatible with current U.S. trade policy?” We looked at the core trade policy statements and demonstrated that from the standpoint of U.S. economic interests and trade policy, we are most effective and have the greatest impact through systemic interventions that create greater openness to trade and help recipient countries take greater advantage of the opportunities afforded by trade. So instead of promoting specific U.S. exports our job was to promote the enabling environment within recipient countries in which trade and investment would flourish and expand. And, all this with confidence that the U.S. would benefit (based on a separate paper examining U.S. competitiveness and judging it to be superior.)

Looking back at it, underlying the debates about our role in trade were two more fundamental issues: the issue of our basic role and mission and the issue of the extent to which policy is based on evidence and analysis versus what appears politically attractive or helpful, including to other agencies with different mandates. So, I think that’s why the issue was so contentious. The process we followed brought those issues to the forefront.

As an aside, it is noteworthy that the original idea for dealing with trade policy issues was to hire a consultant, and one was identified. As if such a contentious policy issue should be handed over to an outsider. However, the strategic planning office quickly decided that this exercise should be led and carried out by staff. I think it’s incredibly important that policy be developed internally – based on evidence and analysis, some of which would be from external sources.



On the broader policy front, we made a major effort on the challenge of determining and clarifying the agency's mission. Not by drafting a mission statement, but rather by coming to grips with the various alternative or competing paradigms. First, we looked at sources of policy incoherence, building on the Policy Task Force Report. Then we looked at context – salient trends (both international and US political) and US interests (drawing heavily on the 1991 National Security Strategy). Finally, we looked at alternative paradigms. We described how we might operate as an agency focused mainly on development; as a global issues agency; or as an agency that simply pursues diverse and sundry concerns that command political support. The point was to show how these distinct versions of our mission pulled us in different directions. We produced an analytical discussion paper, about 30 pages.

*Q: Was this an interest and request of the administrator, or was this the outgrowth of the Woods Report or—*

CROSSWELL: Well, we had the [Hamilton Report](#) in early 1989, and the [Ferris Report](#) was about to appear in April 1992. Both complained about disarray in policy and mission. Other external task forces were also looking at foreign aid. (See *United States Development Assistance Policy* by Vernon Ruttan.) More immediately, the 1991 reorganization had been prompted by the “one-voice” problem – multiple, sometimes conflicting views of AID’s mission and core objectives. The Policy Task Force Report had analyzed the problem and made recommendations about how to deal with it. The new Policy Directorate came up with an agenda; and at the top was to address policy coherence. We saw that as a core task for the strategic planning office. If the Agency was going to speak with one voice, what should that voice say?

I’m not sure of all the exchanges further up the chain of command. I just know that our office felt we had a broad marching order. From there the staff took the initiative. We felt empowered – not to rule the agency but to identify key policy issues; launch and oversee a process for dealing with each one; and restore the policy function.

*Q: Was there any interest from above? Did the administrator's office get interested in the kinds of things that you were writing?*

CROSSWELL: We produced five drafts of a paper (“Towards a New Agenda: U.S. Economic Assistance in the 1990s”). I was the primary drafter of much of the work, and I don’t recall any guidance or reactions from the Administrator’s office. We certainly shared our work widely, both upward and outward to other bureaus, to get comments and reactions. It was a paper for background and discussion. Consistent with the Policy Task Force Report, it was definitely NOT a closely held exercise.

My recollection is that the feedback and comments came from Bureaus (at the Office Director level) and not from the Administrator’s office or the senior political staff. I have a draft status report (March 1992) from Larry Crandall to Kathryn Morgan. It claims widespread but not universal support for the analysis among bureaus (at the staff level) and discusses next steps. One of them is to engage the Administrator’s office; another is

to verify that Scott Spangler and the Operations Staff are on board. (We had worked closely with Len Rogers, and there were no outstanding issues as far as we knew.) And a third was to help on the budget guidance. So, it was a going concern. But we were limited on how far we could take this. I find it interesting to think what might have happened if Bush had won the 1992 election.

Reflecting further, however, a pending election did not seem to stymie broad policy development at other times, including in 1980 (ongoing work on Basic Human Needs); 1988 (the Woods Report); and in 2004 (The White Paper, a major internally driven policy reform). So perhaps it wasn't the election *per se* but two other factors. First, Roskens was seen as weak and even detached rather than strong, authoritative, and engaged. (That may explain why the largely career policy staff got as far as we did on these issues, including the briefing book.) Second, it was a watershed or critical moment for foreign aid, with lots of external studies and proposals for reform (somewhat similar to 2008).

*Q: All right, let's leave it at that and we'll pick it up again later. Thank you very much.*

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*Q: This is Wednesday, June 27 2018, and this is the second section of the oral history of Mike Crosswell. We're going to pick it up in a moment at the beginning of the Clinton administration in 1992. But I just want to wrap up the end of the Bush 1 administration to give you a chance to summarize where we are. You had said at some point that the foreign aid agenda during Bush 1 expanded. I guess in the middle of Bush 1 it expanded very rapidly, and it would be helpful if you just succinctly tell us what that expansion was. And then you said later in Bush 1 there's—perhaps because of all this expansion—there was policy confusion, to which you were trying to bring about some order. And so if you could tell us what that effort was. That will then lead to where we come in to the beginning of the Clinton administration, and what happens, the change of people and all the rest. So at this point you are still in your role as the chief economist for Asia and the Near East right? And then chief economist for Asia, and then the bureaus changed a little bit. But okay, so please go ahead.*

CROSSWELL: Okay. So with McPherson and then up to the (February 1989) Woods Report, policy in AID is primarily about development -- as we usually understand it as economic and social progress in poor countries. We've also got the Economic Support Fund (the ESF account, formerly Security Supporting Assistance) for key foreign policy countries, and we provide humanitarian assistance. So, it's a pretty simple framework for foreign aid. But, policy hasn't caught up with budgetary and programmatic realities.

Throughout the eighties—this isn't a one-time event -- globalization is happening and even accelerating. There is increased interdependence, so that the range of our interests and concerns in developing countries widens. We start worrying about *HIV/AIDS*. There are arguments that it poses a threat to development progress. But, it's of concern in its own right, as an infectious disease that readily crosses borders.

Also, there's the *transition from Communism* beginning in the late 1980s. That's a distinct major concern. Democracy is a big part of that transition. It spawns an even stronger interest in *democracy* as a special concern in other regions.

Further, global environmental issues, such as biodiversity and global warming are coming to the fore. Those have some links to development progress, but they represent self-standing concerns – new foreign aid and foreign policy concerns. Also, narcotics trafficking and migration. So, with globalization and increased interdependence, the range of concerns and issues in developing countries widens in a sort of *ad hoc* way.

At the same time, there's less concern with *development per se*. With the fall of the Iron Curtain the national security arguments for development progress become less strong. We no longer need worry about preventing communist expansion.

So, the agenda for foreign aid has expanded while resources have not. And, the priority attached to development on that agenda has shrunk as have resources for development. Policy has not caught up – partly because the policy function has weakened and partly because these changes have happened in a piecemeal way.

As we transition to the 1990s there's increasing recognition of what the Ferris report called "policy confusion". Externally there are various reports and reviews. Internally there's recognition of the "one-voice" problem – AID does not speak with one voice about our core goals and priorities. Instead we're all over the place. Roskens establishes several task forces including the Policy Task Force, that aims to analyze the one-voice problem – essentially a problem of policy coherence – and suggest what kind of policy function is required to address and resolve the problem. Roskens replaces PPC with a new 'bureau' called the Policy Directorate. It includes many of the PPC staff, but there is a new Strategic Planning Office to work on policy.

I was part of the Policy Task Force while I was the Asia Chief Economist. Then, in Fall 1991 I join the new Strategic Planning office. We establish a policy agenda that includes tackling the issues surrounding *trade and investment* promotion; and the more general issues surrounding *policy coherence*. A third item is a paper on AID's view of the challenge of development, and how that has evolved. So, those were the three tasks I worked on for the remainder of the Bush administration. There were others, e.g. democracy.

In the process I feel like the policy function had been revived. We had a policy agenda, and we were working to apply evidence and analysis to policy issues. We were functioning the way the Policy Task Force Report envisioned. We made a lot of progress on the agenda – especially on trade and the challenge of development. But I have to say the policy coherence problem was vexing. We made a good start in terms of better understanding the problem and competing views. But we still had a ways to go in figuring out the solution.

As this work is progressing the Bush administration comes to an end. So, the best we could do was put together a briefing book for the incoming administration that highlighted the issues we were facing and working on, and where we had gotten to. This was part of the [1992 Transition Briefing Book](#)

## **THE CLINTON ADMINISTRATION – POLICY, 1993-2001**

*Q: How did you deal with policy issues in the Transition Briefing Book?*

CROSSWELL: I'm not sure of the process that led to the briefing book. But, I was heavily engaged in putting it together. I think there must have been a fair amount of interaction between the Policy Directorate (POL) and the transition team, including coming up with a set of questions for the briefing book to address. I think we volunteered quite a bit of material. We felt we should take the initiative to put issues on the table and indicate where we had gotten to.

It is a massive briefing book – over 500 pages. It provides a detailed, comprehensive snapshot of AID at the end of 1992, as well as much of the history that got us to that point. While it was long and comprehensive, it was divided into many small, distinct, digestible chunks. So, it wasn't as daunting as it sounds.

The preface (2 pp.) highlights the pressures created by an expanding agenda for foreign aid accompanied by shrinking resources. It emphasizes the two most pressing issues facing AID – establish consensus on the core objectives for foreign aid and then organize to pursue those objectives.

After a tremendous amount of factual material (organization and staffing, important outside stakeholders, budget, etc.) the substantive policy section begins on page 267. It is organized around a long list of 'questions submitted by the transition team'. I'm pretty sure POL played a major role in formulating many of the questions.

The lead paper in the policy section responds to a question about alternative concepts of development; how AID views the development challenge; and AID program successes. In explaining policy incoherence, some had argued "well there's not agreement on what development is and how to approach it." We thought that was a non-issue. There had been fierce debates about poverty and growth in the 1970s and then adjustment, orthodox policies, and growth in the 1980s, including the roles of the public and private sectors. But, by 1990 those debates were largely resolved. We had the 1990 World Development Report on Poverty; and the 1991 WDR on the Challenge of Development. These and other documents (including the much-maligned but very helpful "Washington Consensus"; and later work by the Overseas Development Council) pointed to a resolution of the earlier debates, a sort of synthesis.

Since it was relevant to the challenge of policy coherence, this topic was already part of our Office Agenda well before the election, and we had made some progress. We built on this in the lead paper – about 14pp. It traced alternative views of the challenge of

“sustained development” and the evolution of a consensus view on the nature of the challenge and how to address it. We put that forward to say—there are plenty of things to debate, but it is not our view of development that is at issue. The main thing to debate is the role and mission for foreign aid -- our core goals and objectives and whether and how development fits.

*Q: And the issue of selection of priorities amidst all these important activities was not something that you were trying to resolve?*

CROSSWELL: Well, we weren't advocating for one priority or another. We were trying to accurately describe the context (including statements of U.S. national interests); outline the options and analyze the issues. If you look at the material after that lead paper, it's a lengthy set of fairly concise (1-3pp.) responses to a set of specific questions. We were trying to lay the analytical foundation for a sensible discussion.

*Q: So this 500 page document; that was not just 500 pages from the policy group. This was the entire agency of which these policy issues papers were a key part. And so the election is lost by the Bush people, and you have teams coming from the new administration. Did they pay any attention - as far as you know - to the briefing book?*

CROSSWELL: Well I don't recall any follow-up questions or discussion.

*Q: Nobody came knocking on your door and said please help explicate these?*

CROSSWELL: As far as I know that's correct. As of December 1992, Scott Spangler was the Acting Administrator and Jim Michel was Deputy. Larry Saiers and Kathryn Morgan were still heading POL. Scott resigned as of the inauguration, so Jim Michel was the senior person after that. If there had been discussions that involved the Policy Directorate, I would have had some awareness and some involvement, even if indirect. Since many of the papers in the briefing book responded to questions from the transition team, perhaps they felt our responses were sufficient.

But, there was no question in the briefing book about what should be AID's central mission and core goals. And, despite the highlighted message about that in the preface, there was no discussion of that issue with AID staff that I'm aware of.

*Q: But during this interregnum, were you called upon to do anything particular? Were you just burrowing away at your own interests and in the policy office?*

CROSSWELL: Well, much more than burrowing away. The strategic planning office was a very proactive group, with strong encouragement and support from Larry Saiers. We were alert to issues that seemed to be surfacing and we took initiative to write notes on these issues. I have a 10-page paper on “The Future of Foreign Aid” drafted after the election. Later we initiated the “Development Opportunities Exercise” and did a set of papers. And, I wrote a note on “Alternative Paradigms for a Bilateral Development Assistance Programs” that compared decentralized, field-based programming with

centralized, Washington-driven programming. There were advocates for each, and I tried to lay out the various arguments and pros and cons. What I didn't clearly recognize at the time is that we could do both. We could pursue some goals and the associated funding on a centralized basis, and others -- such as development -- on a decentralized basis. It wasn't either/or, it wasn't one size fits all.

We also had a major debate on how to approach population. One side argued for an emphasis on family planning programs in large countries -- including middle-income countries -- in the interests of slowing *global* population growth. Our side argued for addressing population as a development issue by focusing on poor countries with high fertility and addressing the various determinants of fertility decline. So, while we were not involved in any formal review of foreign aid, we were busy identifying issues and analyzing them through papers and notes.

I believe Atwood was confirmed in May 1993. At some point thereafter we learned that there would be the Strategies for Sustainable Development. Five strategic goals were identified, and work began on strategies for each goal. The goals pertained to democracy; environment; global population and health; broad-based economic growth; and humanitarian assistance.

*Q: And where do those come from?*

CROSSWELL: That's a great question and I don't know the answer. You could see traces of them in the Hamilton Task Force Report, which recommended four goals, mainly along functional lines. The [mission statement](#) exercise in 1990 identified six functional goals. There were various external reports that talked about similar goals. I believe Clifton Wharton in State headed up a task force and drafted a report that was discussed on the Hill in July 1993, but I don't recall seeing that. At the same time the NSC was supposed to be conducting a review of foreign aid. But that review was not completed. [For an update and correction, see the Addendum on the Wharton Report.]

I don't believe POL was involved in arriving at these goals. My recollection is that they appeared "out of the blue". Perhaps I was simply out of the loop. But I'm reasonably confident that if any substantive questions had come to POL, our office would have been involved in dealing with them, and I would have at least known about it. As a bureau we operated quite transparently.

What's interesting is that three of the goals -- democracy, global population and health, and environment were to varying degrees global issues that were considered important in their own right. Broad-based economic growth was essentially but implicitly the traditional development goal (as in the MDBs). And, it was very much the "residual", covering activities not included in the other, more specific goals. Later, when there was interest in the "development perspective" on one issue or another (e.g. country prioritization), it was the economic growth group that provided it.

*Q: This wasn't a case of just ending up doing all the same things that you've done before but under different rubrics, so it really all was development, it was in every one of these five? So was that the way it seemed to you? Or was this distinct? Did this exercise show you a certain amount of selectivity?*

CROSSWELL: It was an organizing framework for programs, in the sense that if you looked at the budget, any particular chunk of money would go under one of these headings. You could talk about the money for environment, and that was eventually guided by the environment strategy. Or talk about the money identified for democracy. You could talk about the money that was health and population. And there is humanitarian aid over to the side. And then everything else was economic growth, the residual. So, there was not much in the way of selectivity except to highlight the three special concerns. Still, it was framework and structure within which to operate. And, the goals were treated as goals and not just accounting frameworks (in contrast to the similar framework used as part of the 2006 aid reform.)

*Q: Was the name of this entity changed, it wasn't still the Policy Directorate?*

CROSSWELL: We returned to being PPC by mid-1994 according to my records. And the whole operations directorate construct disappeared.

*Q: And were you and other policy people called upon to put meat around the bones of these five sustainable development categories or not?*

CROSSWELL: Well what happened is that three senior political appointees were brought in for democracy (Larry Garber), for environment (Glenn Prickett) and for global population and health (Nils Daulaire). They became DAA's in PPC. They took charge of writing their respective strategies. The legislative/public affairs group played a role, especially for Economic Growth (EG). We in the strategic planning office (Carol Grigsby and I) were scrambling to shape the EG strategy. Carol was very effective in dealing with LPA.

We came up with a solid, three-pronged framework for EG -- strengthen markets; enhance access and opportunity (for the less advantaged); and invest in people, especially basic education and basic health. In the latter case there was overlap with the global health strategy.

Within that framework there were a lot of pressures from various groups to endorse specific interventions. Terry Brown (Senior Foreign Service, working in PPC) was very helpful in fending off such pressures and leaving space for missions to determine where they could achieve the most meaningful results within the framework, based on country circumstances. There was also pressure from the Deputy Administrator (Carol Lancaster) and from State (Joan Spero) for AID to focus only on "access and opportunity" (particularly microenterprise) and leave policy reform and strengthening markets to the MDBs – apparently because there wasn't much of a political constituency for that kind of work. We fended off those pressures, at least at the policy and strategy level, by pointing

out factors that argued for a complementary role for AID in these areas *vis-à-vis* the MDBs. This wasn't just hypothetical. By then we had a track record, including the Development Fund for Africa and the transition from communism.

The [Strategies for Sustainable Development](#) (41 pp.) were essentially completed by the end-1993 and published in March 1994.

Meanwhile, and to the credit of the senior leadership, there was extensive, steady follow-through. We were tasked to produce [strategic guidelines](#), which were much more analytical, detailed, and substantive. They provided much more in the way of guidance to the field. I took the lead on Economic Growth (EG). This exercise was largely completed by mid-1994. In 1995 we elaborated a detailed [strategic framework](#) with results indicators (the beginnings of “metric-mania”).

*Q: And these did go out to the field? Did you interact with the field? Was there debate back and forth?*

CROSSWELL: For EG we went through seven drafts and numerous meetings both inside and outside AID. There was plenty of debate and discussion, more so among the bureaus in Washington, but with confidence that regional bureaus represented field perspectives. At the time the regional bureaus were still well-staffed with technical folks, including economists. And, for EG the three objectives (mentioned above) were quite broad. We emphasized field discretion in identifying the most effective interventions. At the same time, we specified meaningful criteria to guide such judgments, e.g. systemic impacts. According to Nils Dauilaire (who at that time was playing an oversight role for the strategic guidelines), the EG guidelines passed the “howl test”. That is, the criteria were restrictive enough to cause many of those representing specific activities to “howl” (in protest.) The strategic guidelines for other goals were probably a little more directive in endorsing specific activities.

*Q: And did you get the impression that there was general acceptance of the directions? First of all, the direction from the top in these five categories but then the kinds of things that you were elaborating. Were they done collaboratively with the regional staff in Washington?*

CROSSWELL: For economic growth I can attest to collaboration. Again, EG wasn't a major administration priority but rather a goal the Agency simply could not ignore and still claim to be a development agency. So, unlike the others this was NOT an administration initiative. But there were interests and constituencies within the EG goal, particularly for microenterprise, food security, and a more expansive view of education. However, the central economics staffs, the regional bureaus, and PPC were pretty well aligned. The regional bureaus appreciated the emphasis on field discretion. What apparently was NOT an issue (according to my notes at the time) was direct support for U.S. business and commercial interests. By this time, the Private Enterprise Bureau had been replaced by the Economic Growth Center – a positive and significant change. For other strategies, the democracy and environment and global health folks surely worked



with their counterparts in the regional bureaus, who would be advocates and supporters. So, I think you could reasonably say there was staff support.

*Q: I don't know if it's realistic to compare how this subject area of economic growth and the policy guidance and indicators, whatever it is that you were providing, compares with the way in which the New Directions legislation was implemented, and the policy guidance for that. But do you have any sense as to which was more effective in getting out to the field, and whether you have any way to measure that? It's an unfair question to ask, but I'm curious as to whether you were able to get a turnaround. Because this is clearly a different focus, and it was in the '70s when you were there, and in the '80s it went through other changes, and this is now the '90s... I don't know if it's possible for you to compare and contrast the behavior in those three decades?*

CROSSWELL: I've described the [1977-80 basic human needs experience](#) as the gold standard for being thorough and systematic, from overarching agency strategy and policy to budgeting and program guidance to country strategies and programs. But remember, I worked in an office that had more to do with international and intergovernmental affairs, so I didn't monitor strategies and programs as did other parts of PPC. But, with the budget function in PPC and with strategy and program reviews, I believe follow-through was pretty thorough. And then, in the '80s we are still blessed with fairly flexible resources and my strong impression is that McPherson's Four Pillars were carried through. And we hired all these economists in the 1980s to go out in the field and do policy work and strengthen private markets. But then, several things are happening in the late 1980s and into the 1990s. First, there's something of a policy vacuum in terms of a coherent overarching goal and strategy. Further, the agenda for foreign aid is expanding – a natural result of globalization and increased interdependence. Third, we're losing autonomy where the budget is concerned. Earmarks, directives, and initiatives are increasing, and alliances between internal and external interest groups are strengthening. Instead of policy driving budgets and programs, you increasingly have the budget process driving policy and programs.

Where economic growth is concerned, our strategic guidelines in 1994 were quite consistent with our thinking as it developed in the 1980s. There was the same emphasis on markets, and on policies and institutions supportive of markets. So we weren't calling for a turnaround where growth was concerned at the strategic level. The big difference was the decline in flexible resources available to implement that strategy. Without dedicated flexible resources, you don't really have a strategy that drives programs. If instead you have a microenterprise earmark, then that becomes your strategy.

*Q: So budgetary allocations to the economic growth window were the residual when the budgets were cut?*

CROSSWELL: Yes.

*Q: Apparently, I heard complaints about that in the last five years too—*

CROSSWELL: It's been a steady trend. Though it's important to keep in mind that for strategically important countries and programs – ESF and transition from Communism – EG remained very important. It's the Development Assistance account where the major declines and restrictions have come. In 2000 I did an EG Goal Review on budgetary trends over the 1990s. The problem was not declining development assistance overall. However, the share of the budget going to core EG programs fell. For 20 development programs in Africa, the decline was from 60% in 1992 to 30% in 1999. Earmarks, directives, and initiatives were the culprit.

*Q: This is also a period of great upheaval because of the management back home. First of all you have an effort to introduce an 80 million dollar or 82 million dollar remake of the computer system or something like that. And you also have the pressure on the budget, which is to cause a great number of the most senior and most talented Foreign Service officers to be separated from the agency, because they were promoted so quickly that they were then too long in position. To what extent were you—I mean, you're here, you're a GS employee, you have tenure. You've been there already, even as a young man you've been there quite a few years, but around you these kinds of events were taking place. Did that have any significant impact on what you did, and how you did it, and your ability to get the job done?*

CROSSWELL: Well, later on we'll get to the major exercise involving cutbacks in field presence, which is part of the response to the question of impacts on what I did.

More generally (where my work situation is concerned) I was no longer in a regional bureau where I might have been more directly exposed to pressures on foreign service staff levels. I was mainly doing policy analysis and I didn't need a budget for research projects nor a large staff.

The external attacks and pressures at the time provided great opportunities for rewarding policy analysis. The more discouraging times – the late 1980s and the period from 2010 – were when the problems were primarily internal rather than external. When – to quote Pogo -- “we have met the enemy and they are us”.

I **was** somewhat discouraged about AID's future during 1989 and into 1991. I thought about joining the foreign service with the idea of retiring in 1995 when I would turn 50. Around this time my wife and I are starting a family and she is working in a demanding law firm. So, it was a matter of work/life balance as well as AID's future. I actually had a foreign service economist assignment in Jordan. But, by the end of 1991 we were clearly staying put – a good decision. It all worked out.

After the 1994 election, we were increasingly on the defensive. But, that called for fighting back (against external attacks from Republicans) to make our case and tell our story. At the same time, with declining support for foreign aid, interest groups worked even harder. We had our hands full keeping lobbyists honest and discussions evidence-based. Fortunately, there was a very strong ethic and emphasis in PPC (carried over from

POL and sustained by PPC senior leadership) that policy should be based on evidence and analysis.

Finally, PPC followed through strongly on the strategies and strategic guidelines, with annual goal reviews and eventually a strategic plan with performance goals. So, there was a lot of good policy work to do and I thrived. The strategic framework had some problems in terms of policy coherence, stemming from the effort to “integrate” global issues and traditional development under the rubric of “sustainable development”. We continued to grapple with those problems, and figured out how to resolve them during the latter 1990s. More generally, PPC during the 1990s confronted a host of policy issues and aimed to address those issues based on evidence and analysis. So, it was a great setting for my kind of work.

The Republican criticisms of foreign aid in the mid-1990s were often amazingly inaccurate and illogical, particularly those from the Heritage Foundation. So, that was a great stimulus for rewarding work. It led to a paper on the [Development Record](#) that was eventually published in a journal from the Fletcher School. The paper identified and addressed ten specific critiques of development and foreign aid (including some from the left). It had ongoing usefulness.

More generally we were “fighting the good fight”, and that was very invigorating. There was great cooperation and synergy between PPC and LPA – particularly John Norris, Barbara Bennett, and Bette Cook -- on testimony; Congressional Q&A’s; and other efforts to tell our story and explain our role and record. Of course, an irony and a blessing is that these challenges came at a time when a very positive story had emerged about the state of the art in development thinking, and considerable (but not universal) success in development cooperation and outcomes. It’s ironic that while available data, evidence, and analysis grew exponentially, popular discussions of foreign aid and development seemed to be increasingly uninformed and behind the times, especially where Africa was concerned.

On the personnel side, the 1996 cutbacks were painful. But we had been losing economists in droves over the first half of the 1990s. In 1995 I did a rack-up. Around eleven economists had retired. A similar number left to go to the IDB, the IMF, and the World Bank. Around fifteen moved into managerial ranks of AID. A few others went to consulting firms and academia. So, they found good opportunities.

*Q: These were Foreign Service or GS?*

CROSSWELL: Mainly foreign service, as our hiring effort had been for the foreign service. But, in the Reduction in Force, GS economists were vulnerable as well. I know I was nervous, I didn't feel particularly protected.

*Q: Even though you had a lot of years. But the foreign service decision was—well it was, I suppose, driven by budget. But the way they did that, it was almost a RIF (reduction in force), but it was done with subterfuge.*

CROSSWELL: Well, I don't have a good overall picture. What was evident in the RIF and downsizing is that we were losing positions, so my *position* could have been eliminated even if *I* was not. And, if my position were eliminated, the idea of "bumping" a more junior person and/or doing work I had no interest in certainly was not appealing. I know I was worried enough that I drafted a proposal for Don Sillers (also GS, in PPC) and me to share a job if one of our positions was eliminated. I felt plenty vulnerable.

*Q: Are there names of people you typically sense the loss of during that period, that you've worked with?*

CROSSWELL: In 1995 I headed an office of five economists. In 1996 we lost Dick Greene, a very strong foreign service economist. I believe he was able to retire. And, we lost the position occupied by Carl Mabbs-Zeno, who had done great work on food security and on crisis. He was civil service and he moved to another bureau – I believe Europe – and continued to do excellent work for AID. Other staff, like Carol Grigsby and later Gloria Steele moved to other bureaus.

*Q: Yeah, because these were agency-wide events that were going on—*

CROSSWELL: Yes. I felt the loss of solid economists and program officers in the regional bureaus with whom I had worked on the strategic guidelines and other issues.

*Q: You were then in PPC. And when did Tom Fox arrive?*

CROSSWELL: That was, I think, late 1997.

*Q: I see. But before that, you were working still with people like—*

CROSSWELL: Well until 1995 Mike Morfit headed the Strategic Planning Office and Gloria Steele became his deputy. They were outstanding. We had the three DAAs – Daulaire, Garber, and Prickett -- in charge of Global Health/Population; Democracy; and Environment. Larry Saiers left around 1994; and Janet Ballantyne became the Senior DAA for PPC. Colin Bradford arrived around mid-1994 as Agency Chief Economist, and eventually head of PPC. I then functioned as Deputy Chief Economist. My group of economists, including the highly skilled and incredibly versatile Don Sillers.

By the time Colin arrived the EG Strategic Guidelines were pretty much established and he was comfortable with them. I took the lead for EG on basic policy and strategy tasks – revising the guidelines, writing annual goal reviews, the annual performance reports, and so forth. We were also the group that provided the "development" perspective on various issues.

Colin represented EG in more senior, intra-agency settings. He also led an ill-fated effort to develop an Economic Growth initiative in 1996/97. We (the economics office and economists in the regional bureaus) provided some good analytical foundations for that. I

did some simple econometrics that linked economic freedom and increased openness to more rapid growth of LDC markets for imports (and associated benefits for U.S. exporters.) However, as the proposed initiative moved further up through the senior political leadership it became more political and less grounded in evidence and analysis. It ultimately failed to convince OMB – they posed some critical questions that our original analysis had covered. But, getting more resources for EG from Bill Clinton’s OMB was probably a doomed undertaking in any case.

More generally, the mid-1990s were a time when there were a lot of pressures to formulate politically attractive initiatives. So, there was an ongoing tension – somewhat reminiscent of what I described during 1989-91 – between policy by initiative and systematic evidence-based policy in support of core goals. One senior manager in PPC described the tension as ‘academic truth-seeking’ versus “getting ideas in play in the policy game”, with evident priority on the latter. (In effect, it was the “budget game”.)

Of course, with the end of the cold war, the emergence of various global issues, and the 1994 election, the politics of foreign aid had become very challenging. On the one hand we had much increased Republican hostility to foreign aid and to AID. On the other hand, Democrats were increasingly oriented towards policy by initiative, and courting constituencies that would support foreign aid. And, on the third hand the level of political discourse and bi-partisan cooperation declined sharply. So, it was quite a challenge for PPC to maintain a steady, coherent policy course.

*Q: This was also the period of the SDGs, so Colin was quite active in that, right?*

CROSSWELL: Well, Colin had come to AID from the OECD, where he was head of research at the Development Centre. So, that makes sense. But I wasn’t very aware of his efforts. He probably worked more directly with our donor coordination office and Norm Nicholson. During 1995/96 I commented very positively on the “DAC Reflections Exercise”. And then, the [DAC/OECD paper on development targets](#) came out in May 1996. Jim Michel, I think, was at the DAC at that time. Later in the 1990s I focused more on the Millennium Development Goals (MDGs).

*Q: Well, this is a separate subject, but basically, Colin was pushing these as a way to get more support on the Hill. So he was instrumental in pushing them at the DAC as well. And the irony is that they gained great momentum everywhere in the world but in the United States. It didn't have the desired effect in Congress but the system was adopted by the donors.*

CROSSWELL: Yes, I could see that the DAC targets and the subsequent MDGs were intended to bolster political support for developmental foreign aid. The 1996 DAC paper was very solid. However, the “targets” in that paper were supposed to *illustrate* the results that could be achieved through successful development cooperation and development progress at the country level. They were billed as “valuable indicators of progress” towards a goal of “a higher quality of life for *all* people”.

Things then gradually went off the rails (as I documented in a later [paper](#)). The DAC pushed donors and others to make poverty reduction the overarching goal for development cooperation. The notion of “a higher quality of life for *all* people” got lost, along with the focus on country-level development and transformation. The “illustrative” targets evolved into proposed strategic objectives and focal points for development cooperation, culminating in the MDGs.

*Q: How did AID respond to that?*

This created a clear challenge to our actual strategies for sustainable development; and our [1997 Strategic Plan](#) which was based on those strategies and was [updated](#) in 2000. Poverty reduction was seen in these documents as part and parcel of development progress. But there was no explicit goal for poverty reduction. Around the time of the update, I wrote a [policy background paper](#) explaining why we were sticking with our existing strategic framework, with confidence that it was fully supportive of poverty reduction. I argued that -- given the scope and nature of the poverty challenge in developing countries and looking at development record -- the best poverty reduction strategy was a good development strategy (such as ours.). My subsequent [conference paper](#) characterized the evolution of donor approaches to the MDGs as “pitfalls in strategic planning and management”. It maintained that development was about more than poverty reduction (“a higher quality of life for *all* people”); and foreign aid was about more than development. It argued that the MDGs had divorced poverty reduction from development, to the detriment of both.

As you point out, in Congress “poverty reduction” didn’t seem to command nearly the same support as in the late 1970s. I think there were some good reasons. During the 1990s there was much more interest in various global issues; supporting the transition from Communism; and (increasingly) crisis prevention. And, perhaps we in the U.S. did a better job of recalling the lessons learned from the 1970s experience with poverty reduction. It is striking that the late 1990s poverty discussions made no reference at all to the experience and lessons learned from the 1970s. And, it made very little reference to the accumulated evidence and lessons learned since then. And, it’s ironic to consider our role reversal between 1977 and the late 1990s where poverty reduction is concerned. We were way out in front of the DAC in 1977; and relatively reserved if not skeptical in the late 1990s.

In any case we included the DAC targets among our performance goals for the 1997 Strategic Plan, while formulating other goals (really, benchmarks) as well. We expected those goals to be achieved by and through development progress at the country level, rather than by specific foreign aid programs targeted on the goals. Based on country data from the Bank, I came up with an estimate of the economic growth rate that would achieve the DAC poverty target -- a 50% reduction in the incidence of poverty over twenty-five years. The data indicated that growth in per capita income at 2% annually would get the job done.

So, we continued to program towards the goals, objectives, and approaches in our strategic framework. We maintained a pretty steady course of ‘qualified support’ for the MDGs until 2011 or so, and the beginnings of the SDG exercise. So, Colin may have been fifteen years ahead of his time.

Of course, all this is at the policy level. If you looked at some of our earmarks and directives, we were very much in tune with targeted approaches to achieving the MDGs. But, at the policy level we were resisting those earmarks and directives.

*Q: So, you’re sticking with the strategies and strategic guidelines through a time of pressures and cutbacks. Didn’t you have to make adjustments to deal with that?*

Yes, and that was a major exercise. Over the course of 1996 we faced a budget crunch and the challenge of downsizing our field presence. There were to be three categories of Missions – Full, Limited, and Exit. How to adjust to lower budgets was a fundamental policy issue, because it called into question our core mission and priorities. Happily, PPC rose to the challenge by insisting on systematic analysis of priority countries from the perspective of different goals and concerns. (e.g. development, environment, democracy, national security, economic interests, etc.) At the same time, as you can imagine there was a great deal of lobbying and advocacy going on. Colin and Janet Ballantyne entrusted Rose Marie Depp to oversee the process for PPC. And, they looked to the economics group in PPC to provide the “development perspective” (which Brian had emphasized); and to help provide the analytics for the exercise.

*Q: Rose Marie Depp. Who was she?*

CROSSWELL: She was a senior foreign service program officer assigned to PPC as head of the program coordination office – the office that would typically provide guidance to missions on country strategies and oversee the programming process. So, this was a person and office that did not have an immediate stake in one goal area or another, other than a basic orientation towards development. The challenge for PPC was to arrive at our own recommendations for which missions should be full, limited, or exit; and (with M, the Management Bureau) to oversee the process within the agency. For each country/mission, there was an M recommendation; a regional bureau recommendation, and a PPC recommendation. PPC approached this very systematically, based on evidence and analysis

*Q: And what was the essence of that? How was that done?*

CROSSWELL: Well, a lot of writing and analysis. “Sustainable Development” combined the goal of development as traditionally conceived – economic and social progress and transformation in poor countries -- with global issues and special concerns. For example - - biodiversity, global warming, global population growth, infectious diseases such as HIV/AIDS and democracy. We had done analyses since 1993 noting the distinctions between development and global issues. Global issues tended to be a matter of cooperation and collective action involving many or most countries, including non-poor

countries. Many such issues could be described as “global public goods”. In contrast, the benefits of development progress in (say) Kenya accrued primarily to Kenya, with at best secondary and indirect impacts on the global community. Interestingly, this had implications for ongoing debates about centralized versus decentralized approaches to foreign aid programming. For development, there was a strong argument for decentralized approaches, with country programs based on local constraints and opportunities. For global issues, there were stronger arguments for centralized approaches. And, we had established that the priority countries from a traditional development perspective were quite different from the priority countries for global issues and other special concerns.

*Q: Based on?*

CROSSWELL: Each goal area or concern had its own criteria. For “traditional development” we applied the standard allocation criteria of need; commitment and performance; and population – the same criteria as in the 1970s strategic budgeting efforts under your leadership. The environmental group had priority lists for global warming and for biodiversity loss. We had also ranked countries based on U.S. economic and commercial interests (size of export markets); and on geo-political interests (based on ESF levels). There were also priority countries for global population growth; narcotics; HIV/AIDS and democracy.

We had to get to PPC recommendations for which missions should be “full sustainable development missions”; which missions should have limited programs; and from which countries we should phase out. The initial discussions were fairly ad hoc and unstructured. At some point we stepped back and agreed that our recommendations for full missions should be based in the first instance on (traditional) development criteria. Limited programs would be justified by and would focus on global issues and special concerns – particularly in middle-income countries.

*Q: What about the State Department?*

CROSSWELL: They came in later. For the PPC recommendations I don’t recall that we consulted with the State Department. We came up with an initial set of 25 countries based on development criteria. Don Sillers devised indexes (scores) for policy performance, country performance, and need. We also had data for population and for assistance from other donors. Among the initial 25, we indicated around seven countries that were somewhat marginal (for instance relatively small populations, relatively weak policy performance, high levels of assistance from other donors.) In the “second round” we considered which countries might be added to the group based on foreign policy or other considerations, with deletion of some of the marginal countries. So, we could systematically explain how we got to our recommendations, and how and when various factors came into play.

*Q: And was it acted upon?*



CROSSWELL: Yes. PPC (Colin Bradford) and M (Larry Byrne) sent a memo to the Administrator in March 1996 that explained the approach, discussed some of the issues, and contained the specific recommendations from M, from the relevant regional bureau, and from PPC. The PPC recommendations included 18 of the 25 countries on the original, “pure development” list. And, the M and PPC recommendations largely (but not completely) coincided. For many if not most countries, there was also a brief discussion of issues, including global issues. And, there was a table for “global priorities”, with columns for global population growth, HIV/AIDS, climate change, biodiversity, and democracy. This table listed the top priority countries and the lesser priority countries for each global issue. So, you could see whether there was tension between a concern with traditional development and a concern with global issues.

*Q: And was there?*

CROSSWELL: Yes. Large middle-income countries tended to be high priority for one or more global issues. Poor, medium-sized countries in Africa tended to be low-priority. The top priority countries for democracy differed quite a bit from the top priority countries based on development criteria. Ten years later, we were having long discussions about whether democracy and development were distinct goals or not. These discussions tended to be broad, philosophical, and inconclusive. It dawned on me that a relatively easy, simple way to settle the question was to compare the top ten and the lowest ten priority countries for each goal. If they were very different, we were likely dealing with distinct goals. That extends to other goals as well.

*Q: So how is this resolved?*

CROSSWELL: At the broad, analytical level it took another two years and a stimulating question from Tom Fox to figure out the “first-best” solution to the problem of how to manage in a strategic way with distinct goals. This eventually came to be described as “separate goals, separate accounts”. We’ll get to that. In the meantime (1996) the tensions between various goals and concerns were resolved by deliberation and negotiation -- weighing various factors and featuring a lot of advocacy, particularly for the “global priorities”. In October 1996 Administrator Atwood issued a manager-to-manager memo on country designations that referenced agreements reached with State through the “recent NSDD-38 exercise”. I inherited hard copies of the March and October memos when Rose Marie retired. With these memos and other papers, you can track the lists and how they evolved.

*Q: But was it actually implemented?*

CROSSWELL: You always ask such pesky questions. We moved in that direction and I think Rose-Marie did at least one report. But later there was a report by Terry Brown that documented considerable slippage in implementation. Meanwhile, there were ongoing questions about graduation.

By the end of 1997 Colin has departed and Tom Fox has joined us as head of PPC. By early 1998 a staffer named Larry Laird made a report to the senior staff about non-presence programming – that we were spending a lot of money in countries where we didn't have a field presence. At the same time resources and staff were scarce in countries that were supposed to be full presence. So, in April 1998 the Agency "Management Council" tasked PPC with looking at graduation and non-presence programming and developing a policy.

*Q: So there were no missions closed as a result of . . .*

CROSSWELL: I don't have Terry Brown's report, but in one of my 1998 papers I report on his findings of slippage, which was widespread but probably not universal. The more striking issue was the continuation of programming in countries where we no longer had a presence. So PPC was tasked with looking at this and Tom assigned Parrie Henderson (from the Program Coordination Office) and me (from the Policy office) to lead a small team. (By this time, I was PPC Chief Economist; and also the deputy director or acting director for the Policy Office). The team included Frank Martin who was leading a CDIE review of AID graduation efforts and several others.

We looked at the relevant documents, had some briefings and interviews (including with Frank Young, Karl Schwartz, evaluation staff working on the graduation study; ACVFA; and OMB). We delivered a five-page issues and options paper for PPC discussion in May. An important message was "It's complicated" in view of the expansive agenda for foreign aid; earmarks and directives; etc.

So, Tom asked the wonderful question "How would we approach all this if we were starting from a clean slate? If we didn't have any of the complicating budgetary restrictions? If we just wanted to know how to approach prioritizing countries and deciding which countries we should not be in, and when to graduate and so forth?"

*Q: Did you have an answer?*

This stimulated the "Clean Slate Paper". It built on work we'd been doing since 1991 on how to deal with multiple, distinct objectives for foreign aid. It started with a pure development model and discussed selectivity, the importance of field presence and flexible resources; graduation criteria, the transition to graduate status, and the possibility of "post-graduate" programs to address specific foreign policy concerns, hopefully on a non-presence basis and drawing on ESF-like resources rather than development resources. That was all very straightforward. If we faced cutbacks, the criteria for prioritizing were pretty clear.

It then introduced (in turn) other country level goals – addressing crisis, support for key strategic allies, and transition from Communism. The critically important point was that selectivity and graduation indicators for these goals were different – not the same as those for development. In each case prioritization and graduation/success would be judged by indicators specific to the goal. (e.g. peace and stability in crisis countries; transition to

democratic and market institutions in formerly Communist countries; resolution of the specific foreign policy concern that motivated large programs in strategic allies.)

At the same time, field presence would be critically important in all four cases (with a few exceptions such as Israel.) The discussion also pointed out the importance (for selectivity and allocation purposes) of distinct resources for these distinct goals. Indeed, with an ESF account and with specific accounts for the transition from Communism, we already had that. But we didn't have distinct resources for addressing crisis and that had created serious problems for selectivity with Development Assistance.

The paper then introduced global issues (and other special concerns) and discussed some of the foremost examples. Selectivity and graduation indicators would be different for each issue. And, the feasibility of non-presence programming might be greater. Further, we might pursue one or another global issue or concern alongside country programs for development or fragility or transition; or in countries that had graduated from such programs. As with crisis, it would be critically important to distinguish resources for global issues from resources for (traditional) development, for purposes of selectivity and graduation. Using the same account for development and global issues created major problems for selectivity and graduation.

Finally, the paper discussed how to handle a sharp decline in resources; drew some policy implications; and evaluated the 1996 decisions and their implementation (drawing heavily on Terry Brown's report) based on those implications.

*Q: And did you work on this paper basically on your own or was there a lot of interaction with other people? Did you discuss it with various people?*

CROSSWELL: There had been a great deal of discussion and interaction prior to the assignment. But -- as usual for a discussion paper or background paper -- I basically produced the initial draft on my own. It was a "think-piece". I discussed it with Tom and with the team. Then we had a presentation (including a note on issues for discussion) with PPC staff. I also presented to a group from ACVFA. (Advisory Committee on Voluntary Foreign Aid)

Based on all this Tom directed our team to produce a policy framework for graduation, non-presence programming, and limited-presence programming. I was the primary drafter, but this was very much a team product. We were like-minded, particularly since Parrie and the other participants were general program types, some with economics backgrounds. We all wanted a greater emphasis on development, and on flexible funding that would enable missions to make strategic choices about how to maximize development results. There weren't advocates for one or another goal or objective or assistance activity. We presented it as a team product in July and held a few meetings on this paper in PPC.

We faced some challenging questions about other factors that needed to be considered, and country-level indicators for those factors. One was the foreign policy importance of

individual countries. This would normally be a matter of subjective judgment and debate, where we would likely have to defer to State. Just imagine trying to come up with a numerical rating for foreign policy importance.

But, miraculously we found just that, tailor-made for our purposes. Emmalita Jefferson, a PPC Program Coordination staffer, made us aware that State had a very systematic approach to determining embassy staffing levels. For a comprehensive set of about ten foreign policy interests – some weighted more heavily than others – State evaluated each country in terms of the importance of each interest. (E.g. economic interests in Japan got a high score, and in Benin a low score.) The process for arriving at the scores was systematic and rigorous. This led to ratings of countries/embassies on a scale of roughly 1 to 7, for purposes of staffing levels. So, we had a valid indicator for general foreign policy importance!

Anyway, this provides an idea of the further effort and discussion that went into the exercise. In September (1998) Tom vetted the draft informally with Brian Atwood and with the Management Council. Then we sent it forward to the Management Council with a cover letter based on Brian's reactions.

*Q: And did it then get implemented?*

CROSSWELL: No, it didn't even get approved. Remember that the Management Council had initiated this exercise in April 1998, convinced that we needed a policy on non-presence and graduation as a matter of some urgency. But when they read and digested the proposed policy, they said "Well we're not sure we need to do anything about this after all." There was some further back and forth, as we provided more detail on what impacts the policy might have. I don't recall suggestions about how the policy could be improved. The reaction was basically to say well, we don't have such a big problem after all.

*Q: But as an exercise in intellectual creativity you found it satisfying?*

CROSSWELL: The Clean Slate paper was profoundly satisfying and bore fruit down the line. I'm deeply indebted to Tom Fox for posing the question the way he did – which simply asked how should we approach all this "in theory"? That was like cutting the Gordian Knot. It was the analytic culmination of eight years of work and struggle on the issues of policy coherence and strategic management with multiple objectives for foreign aid. We could liberate ourselves from the frustrating search for "one size fits all" approaches (often based on the false presumption that "aid is all about development"); and from the confusion of "integrated approaches" that aim to achieve multiple goals with the same assistance dollar. Instead, we came to understand that distinct goals called for distinct strategic approaches; and that the way to accommodate this is to have distinct resources for each goal. Finally, we could avoid false dilemmas, as posed in the 1992 paper on alternative visions for AID. We could be BOTH a development agency and an agency that addresses global issues and special concerns in developing countries. We

could choose the “all of the above” option – as long as we clarified and distinguished among goals and assigned distinct resources to each goal.

There’s no electronic link to the “Clean Slate” paper, and perhaps that’s just as well. It was sort of a slog for a reader. However, we used the same basic logic and approach two years later when Dirk Dijkerman and I were discussing the 2000 update of the Agency Strategic Plan with OMB – particularly how to approach agency performance goals, and arguments for “common indicators”. After much discussion of earmarks, constraints, and other complications, Mike Casella and Britta Hillstrom asked essentially the same helpful question – How would we approach GPRA (Government Performance and Results Act) and performance goals if we didn’t face all those complicating factors. I wrote a paper very much along the lines of the Clean Slate paper. It focused on [strategic management of foreign aid](#) – starting with a simple development model and then adding goals and complications. It convinced OMB that our proposed approach to the strategic plan [update](#) was on the right track. Later, that work provided the conceptual foundations for the [2004 USAID White Paper](#); the [2006 USAID Policy Framework](#); and (arguably) the [2010 NSC White Paper on Global Development Policy](#). And, it has provided a framework for thinking about and appraising USAID’s subsequent policy frameworks, including those in 2011 and most recently in 2018.

*Q: Okay, so this is all the first and second Clinton administrations, and you were actively doing these kinds of things you’ve just described. Anything more in that period that you want to highlight?*

CROSSWELL: Well, a few things about the policy function. First, it’s remarkable that we stuck with the same policy framework for eight years. By and large it served us well and enabled us to tell our story about what we were trying to accomplish. On the negative side the bundling of development and global issues was a little awkward. But we didn’t know how to deal with that at the time. Also, on the negative side, you couldn’t say that policy drove the budget in the sense of setting priorities.

But neither did the budget drive policy (as later became the case.) We benefitted greatly from having a stable set of core goals, along with strategies and strategic guidelines underlying the goals that were based on evidence and analysis. This overarching policy framework was a touchstone throughout. It shaped our response to the mandated cutbacks in field presence. And, we were very well-situated when GPRA came along. It was a short step to an Agency Strategic Plan, and Annual Performance Reports. Those reports received top ratings (among USG agencies) by independent evaluators. (The Mercatus Center I believe.)

In particular, when metric mania struck (“managing for results”) we were able to take sensible approaches to performance goals and indicators based on our strategy work. We avoided pressures for common indicators (which would have called for “common programs”.) More generally, I thought managing *for* results degenerated into managing *by* results – as if you didn’t need to review the basic soundness and logic of programs. As

if you could just agree on some indicators and targets, and then hold operating units accountable for achieving those targets.

The policy framework also helped us deal with increasing pressures from various groups for new goals or initiatives. For instance, there was ongoing lobbying for a food security goal. We sat down with the advocates and jointly examined the strategic framework (including objectives and approaches) to see what might belong under a food security goal. We established that the elements that might fit under a food security goal were integral to other goals in the framework (economic growth, health, and environment). So, a food security goal would have introduced major problems of incoherence and overlap. (As would have a separate poverty goal.)

And, it was a “living” framework thanks to the annual goal reviews, particularly under Tom Fox. We used these to identify policy and strategy issues, which fed into the policy agenda. Indeed, we were very active and explicit about the policy agenda – not just policy papers (microenterprise, basic education) but also policy background papers and policy statements explaining where we stood on pressing issues. We consulted with the operational bureaus on the policy agenda. And, we established that a critical role for policy work was to address major disagreements or debates within the agency. Policy papers were not to be vehicles for advocacy.

More generally, there was a strong emphasis on evidence and analysis as the foundation for policy and for dealing with policy issues as they arose. We did not jump onto bandwagons. When the MDG/poverty focus became fashionable, we looked at the evidence and analysis where poverty was concerned and concluded that our policy framework was well-designed to support the development goals including poverty reduction. Also, an emerging issue in the late 1990s was crisis and crisis prevention. There was plenty of advocacy, but not much in the way of evidence and analysis. Much more heat than light. So, we did not jump on that in the full-fledged way that proponents were urging.

*Q: Was there internal pressure to adopt a poverty focus? Or was just from the DAC?*

CROSSWELL: There was certainly sympathy for a more direct focus on poverty by some of the AID staff, including some of our evaluation folks. But we tried to approach it analytically, asking among other things “How would a poverty reduction strategy differ from our Sustainable Development strategies?” Our evaluation unit sponsored a [study](#). Our policy office produced a [paper](#) and then sponsored a study on successful country experience. So, there was some sentiment and support within AID and within PPC. Tom Fox handled all this very even-handedly. I expect he was probably more sympathetic to the poverty emphasis than I was, but he was certainly very balanced and objective. I think he concluded that unless there was an important reason, we should stick with our actual policy framework that was serving us well, we should not lightly shift course. So we finish up the Clinton administration with an updated [annual strategic plan](#) in 2000. It was explicitly not intended to set new policy. It was a deliberately limited exercise. We

wanted to convey a little more clearly how we operate (emphasizing decentralization) and to make a few minor adjustments here and there.

*Q: And who was the recipient of this ?*

CROSSWELL: It was a requirement for the government performance and results act (GPRA). We had a lot of discussions with OMB, and OMB essentially was pushing us towards common indicators and program clusters. It was a distorted results orientation in my view. (Some twelve years later, Andrew Natsios wrote an insightful [critique](#) of such approaches to results indicators.) So we did an updated [version](#) of the clean slate paper to demonstrate that our approach was the more strategic way to manage foreign aid.

*Q: To what extent did you feel congressional pressure of any kind at that point on the policy questions? I know there was a lot of pressure on merger, you know, the Helms people and others... were you aware of congressional pressure, or was that not a major factor?*

CROSSWELL: Well, great question. There didn't seem to be the same concern with policy coherence as in 1989-92. Perhaps the Strategies for Sustainable Development reassured Congress on that score. But I think by now Congress and the administration are just going directly to the budget. So, we can have our policy framework, and we can state our goals and how we think they're best achieved. But meanwhile, presidential initiatives, earmarks, and directives are setting priorities. So, the short answer to your question is that I didn't feel congressional pressure on policy and the updated strategic plan. My records indicate that we made visits to the Hill to brief staffers, and we also had multiple meetings with ACVFA and with the IG (Inspector General). Those meetings were not at all difficult. We were clear about the limited scope of the exercise, we had set up the issues well and they could see that we had put a lot of thought into it.

The main pressure was from OMB. As I later came to appreciate, there's no "P" in OMB, i.e. no reference to policy. OMB was very concerned with results; with questions about efficiency and effectiveness; and with finding resources for Presidential initiatives. (That was the implicit P.) They were comfortable with "policy by initiative", but not policy associated with core, medium term goals. If you think about it, they certainly have more of an interest in a situation where budget drives policy rather than a situation in which policy – especially Agency policy – drives the budget. And, they arguably have more of an interest in Washington driven programs and priorities (that they can influence through the budget process) rather than programs based on mission judgments about where they can achieve the greatest results in terms of a given goal and objective such as "strengthening markets". In any case, there was a lot of pressure from them for common indicators.

*Q: Yeah, and the budget was being cut back in ways that then would affect what you could do in policy anyways—*

CROSSWELL: Yes, you have an economic growth goal, but you don't have flexible resources to pursue that goal, at least for the Development Assistance account. The share of economic growth in that account went from about 60% to about 30% over the course of the 1990s.

*Q: Yeah, okay. So this then is the end of the Clinton administration?*

CROSSWELL: Yes. I thought that by the end of the Clinton administration we were in a pretty good place where policy and the policy function are concerned – thanks especially to Tom Fox. Unlike in 2008 or 2016 or (in some respects) 1992, if the new Administration was interested in our current policy stance, we could clearly explain that, and the underlying reasoning and issues.

*Q: Were there parallel policy shops in the regional bureaus and the other central bureaus with which you had some contact?*

CROSSWELL: Yes, and I'm glad you asked, because it pertains to subsequent developments. The regional bureaus had DP offices -- development planning – that were well-staffed with economists and other technical folks. So, if we were doing goal reviews, or the policy agenda, or the strategic plan update we related very naturally to the regional bureau DP offices. We had a shared interest in a clear, coherent strategic framework of goals and objectives, and mission latitude to make strategic choices to maximize development results within that framework.

But we also had the increasingly important global bureau and offices like population and women in development and education. They would lobby us to explicitly highlight more specific activities and concerns, sometimes citing the political importance of such activities and concerns. I remember noting that the whole update process for the Agency Strategic Plan went very smoothly, except for one or another functional office in the global bureau that just kept lobbying.

*Q: They were doing their thing.*

CROSSWELL: Well, yes, they were doing advocacy, but in an exercise that was meant to be—well, we set it up to be more analytical. We had identified the issues for the update ahead of time, stipulating that it was not open season for adjusting the strategic framework, making new policy, or introducing new priorities.

*Q: But the issue is you choose priorities among sectors. It is inevitably going to be one, in a constrained budget environment, where the people who are in charge of population or of health or of the environment or whatever are going to feel that if you give an increase to somebody else, it's at their expense, right?*

CROSSWELL: Yes, but what was important about this exercise and more generally — there's a real art to designing an approach that frames and regulates the competition for resources. We emphasized that the strategic plan was a framework and not a blueprint.



We have five goals, but we're not saying goal one is twice as important as goal two, and so forth. So, we're not setting priorities among sectors. For each goal we have a strategy and strategic guidelines that identify three or four strategic objectives. The importance of strong regional bureaus is that when central bureaus lobby for a couple of extra sentences about more specific activities and concerns, they (and PPC) can argue "It should be up to the missions". They provide a counterweight to Washington-driven programming.

*Q: Although these central offices understood that some of these extra sentences might very well end up with people making the decisions on the budget, right?*

CROSSWELL: I suppose so. One way to look at it is that the Plan, the strategies and the guidelines can help Mission technical staff and program staff come up with a solid country assistance strategy aimed at development results based on country circumstances. But, if central bureaus can get an earmark or directive or initiative, they can preempt that strategy process through the budget. So, getting extra sentences in the plan would serve to subvert the basic approach of the plan – field discretion to manage for results.

*Q: It has been a constant problem, and to the degree that the budget and the policy people are integrated, at the end, you're in a position where PPC—or someplace like that—is able to advise the administrator to get sixty percent more there, and forty percent less here...*

CROSSWELL: Yes, to the extent they are integrated. I think they were increasingly separate at that point. But, [ideally](#) (in a development context) the division of resources among "sectors" or functional goals should flow from adding up the division of resources for each mission, based on their (approved) country assistance strategy. Washington should determine resource levels for each country; but then each country mission should propose the allocation of resources across sectors. On the other hand, global issues call for a more centralized approach to resource levels and resource allocation. Again, there IS a way to accommodate these two different goals and how one goes about budgeting.

## **THE BUSH ADMINISTRATION – POLICY, 2001-2006**

*Q: Okay, so comes the election, and Bush two is elected. There's a transition once again, here you are, for the umpteenth time, you're still in PPC. What does the advent of Bush 43 mean to you?*

CROSSWELL: Well, as with Bush 1 it was initially the worst of times and eventually the best of times. And then again, the worst of times. Certainly 2001 was a bad year for the policy function. I don't recall a briefing book effort prior to the transition. We DID have a body of strategy and policy work that provided a good picture of where we were from the standpoint of agency policy. So, we were in a better position than in 1992.

At the same time, for goal reviews in late 2000 we had proposed papers describing key challenges and responses over the next decade for each goal area – a "blue sky" exercise. This could have introduced us to the new team as a policy office that was forward

looking, could think for itself, and could contribute to (if not lead) a review of foreign aid. We could look beyond the current policy framework.

Unfortunately, the PPC front office (absent Tom Fox, who had departed) decided that the 2000 goal reviews should simply explain what we were spending our money on in each goal area. That was regrettable on several counts. We didn't get to demonstrate our capabilities, or even our basic identity as a policy office. And, it invites or reinforces a mindset in which the budget process drives policy. As opposed to a mindset in which you start with policy and then draw implications for the budget.

In any case, Andrew Natsios comes on board as Administrator.

*Q: Was he in the office on January 20th or did that take a while too?*

CROSSWELL: My notes have him arriving in Spring 2001. Indeed, it had to be pretty soon given the sequence of events.

*Q: Who came in as head of PPC?*

CROSSWELL: Patrick Cronin came to us from the U.S. Institute for Peace. I believe he arrived sometime after Natsios, possibly after the reorganization and the Natsios Report were launched.

One big positive is that Natsios came in, addressed the staff and emphasized (to paraphrase) "this position is *not* a stepping stone for me. I know AID, I've been in AID, I am happy to be administrator of AID; and I'm here to strengthen AID." This was important and valuable. Beware of putting a politically ambitious person in charge of foreign aid -- there are too many temptations to use foreign aid to win friends and influence people.

So, that was a great start. But there soon followed a series of unfortunate events.

*Q: What were those?*

First Natsios proceeds to reorganize in mid-2001, without any review of policy and strategy. So, there was no process whereby we define our core goals and strategies, and then reorganize to support those. Perhaps he simply had his own goals in mind. In any case the reorganization greatly expanded the central/functional bureaus at the expense of the regional bureaus and PPC. He created three central bureaus – for global health; democracy, conflict, and humanitarian assistance (DCHA); and for economic growth, agriculture and trade (EGAT). These were called the "pillar bureaus". (Shades of McPherson's four pillars). And he says, "We don't need all these technical staff in the regional bureaus – let's move them to the appropriate pillar bureaus. We can move some out of PPC as well. Then, the regional bureaus and PPC can turn to the pillar bureaus when they need technical expertise and draw on them for help.

What's wrong with that you might ask? Well, for one thing if policy is to be based heavily on analysis and evidence, then it's important that policy analysts and the policy bureau not have an operational or budgetary stake in the outcome of policy debates. The reorganization envisioned policy for the various "sectors" to be developed by the pillar bureaus. However, the pillar bureaus were operating units, with large program budgets and with a strong interest in maximizing those budgets. They have operational interests. For instance – as you experienced in the 1970s and I experienced in the early 1990s -- the population office has a very strong interest in family planning programs. They would not be expected to provide disinterested advice and counsel in discussions about other approaches to reducing high fertility rates in poor countries.

Second, by now the politics of foreign aid increasingly revolved around politically attractive uses for foreign aid -- often direct service delivery. Since the end of the cold war, the national security arguments for development progress at the country level were less obvious, though we tried to make the case during the Clinton administration. So, a reorganization that reduced the role and capabilities of regional bureaus and increased the role of central functional bureaus opened the door more widely for lobbyists, constituencies, and interest groups to make alliances with AID operational staff, and jointly try to influence the budget process. If you combine a near monopoly on technical expertise with the major operational and budgetary interests in the central bureaus, that's a recipe for creating an agency of lobbyists. Field programs became increasingly driven by forces and factors in Washington rather than local challenges, constraints and opportunities in the field. You basically reduce the focus on development progress at the country level in favor of a focus on specific types of programs in areas like health, population, environment, democracy, conflict, etc.

In Natsios' defense, one could argue that by this time the toothpaste was out of the tube. Development *qua* development was a hard sell politically. And, knowledgeable field staff who could make strategic choices were increasingly scarce. With budget pressures, the budget game was increasingly going to revolve around politically attractive activities in developing countries, so we might as well organize to play that game. We certainly felt those pressures during the 1990s. (Indeed, the 1996 comment I cited earlier about "the policy game" arguably was really about "the budget game", with policy as a matter of initiatives.)

In any case, the reorganization turned out to be ill-timed in the wake of the terrorist attacks of 9/11. Within a year we had a new national security strategy that emphasized development progress at the country level as one of three pillars of our national security (along with defense and diplomacy). Here was AID moving further away from a focus on development at the country level and towards specific politically attractive programs just as development becomes important again.

The second unfortunate event was that there was no official policy review of foreign aid. Instead -- apparently harkening back to the [Woods Report](#) -- Natsios called for what eventually became the [Natsios Report](#). There was a telling difference in the titles. The Woods Report was "Development in the National Interest". The Natsios Report was

“Foreign Aid in the National Interest”. That seemed to acknowledge that the foreign aid agenda extended well beyond development (in the traditional sense), to encompass a range of interests and concerns in developing countries (and formerly Communist countries.)

*Q: He asked for this after 9/11?*

CROSSWELL: No, it was launched, and I believe was well underway before 9/11. There were chapters on five functional areas that roughly corresponded to the pillar bureaus. These were democratic governance, economic growth, health, conflict, and humanitarian response. The authors were outsiders, some of them quite reputable. Larry Diamond was the primary author for democratic governance, and Peter Timmer covered economic growth. There was somewhat more staff participation than with the Woods Report. We interacted with the authors and provided comments and suggestions. I had some good exchanges with Timmer. (And, we tried hard to recruit him as Agency Chief Economist. Unfortunately, in the end, he declined.)

But, on the report itself my recollection is that the commentary on various chapters had the feeling of damage control, and trying to remove or edit any problematic statements we saw. (For instance, an outside co-author writing on trade seemed eager to recommend direct assistance to businesses; and some of the draft health discussion oversold the contribution of health to economic growth.) Susan Merrill in CDIE oversaw production of the report, so she would be the authority on the process and the extent of participation and ownership among AID staff. The policy office played little or no role as an office. But then in the end it wasn't explicitly a policy document in terms of setting goals and objectives. Like the Woods Report it was an essay — or a set of essays—on some major challenges in developing countries. And, it did not spur a systematic policy or strategy process in PPC as follow-up. It was finally finished over a year after the September attacks. I noted in July 2002 that the report still wasn't ready for release; and that in the meantime we were in a policy vacuum or limbo.

*Q: But Natsios did not use it as a tool to get certain programs undertaken?*

CROSSWELL: I suppose he did, I can't say. I was focused on policy analysis. I remind myself that Natsios' background was in humanitarian assistance – for which policy frameworks and policy analysis and overarching strategy are not so critical. So perhaps he was comfortable with organizing the agency around these challenges, soliciting a paper on each one, and meanwhile just proceeding to operations and programs.

However, in the midst of all this – the report and the reorganization -- we get 9/11. Then we get the President's Emergency Plan for AIDS Relief (PEPFAR), a huge initiative outside AID for HIV/AIDS. Then we get the Millennium Challenge Account (MCA), as the administration's key development and growth initiative, and it's located separate from AID. However, on the positive side, by late 2002 or so we have the national security strategy that identifies development as one of three pillars of national security.

*Q: What was the impact of the decisions to set up PEPFAR and MCC outside of AID on you and other members of the staff? And did you feel that this was a real blow? How was it received?*

CROSSWELL: I have less of a fix on PEPFAR, except that it claimed huge amounts of resources. MCC arguably represented a major vote of no-confidence in AID. At the same time, if you wanted a “pure” economic growth program insulated from political interference and pressures – well, by then it would have been hard to make the case for AID.

Still, once MCA was announced AID played a significant role in fleshing out the details. Patrick Cronin’s bio says he led the interagency task force that designed MCC. A new DAA in PPC – John Simon, a political appointee – played a major role in the interagency working group on country selection. He gets the primary credit for devising what became known as the “hurdles” approach for identifying eligible countries. I was in many of the inter-agency meetings as back-up and support for John. Also, there was an assignment to write a note on absorptive capacity, which came to me. So, we participated as good soldiers and made every effort to see that MCA was well designed.

As an initiative it makes for a fascinating case study. They came up with a compelling story that persuaded Congress to provide significant sustained funding for economic growth with no strings. In 2007 I wrote a short [paper](#) that highlighted some of the misconceptions in that story, while still applauding the basic principle of focusing assistance on good policy performers, and also the performance of MCC as a solid, well-functioning agency.

The more important and constructive impact of all this on AID was the pressure to reexamine and define our role in a way that would command support. I think Cronin became seized with this in 2002, and it helped a great deal that Tish Butler came in to head the Policy Office. Cronin was saying, “Let’s think about AID’s role now that we have the (draft) national security strategy that emphasizes development.” And so, in August we started an exercise to look at the role of AID in U.S. foreign aid and the role of development in the new national security setting.

*Q: And were these policy efforts distinctly different from policy efforts you had undertaken in the previous three decades?*

CROSSWELL: Well, yes and no. They’re somewhat different because it’s a somewhat different setting, in some ways a culmination of trends, particularly globalization. We’re even further away from the world of the 1970s and much of the 80s, in which foreign aid is mainly about development, support for major Cold War allies, and humanitarian assistance. We’ve been engaged in global issues and special concerns, the transition from Communism, and increasingly with crisis and fragility. But the other answer to that question, and it’s tremendously gratifying, is these policy efforts represented the continuation and eventual culmination of work that had started in 1991, and then evolved,

including the clean slate paper and the strategic plan discussions with OMB. So, in 2002 we had a good foundation to build on.

*Q: So it was something that you see as an evolution.*

CROSSWELL: Absolutely.

*Q: And that, at an earlier moment, you said something about the most satisfying years professionally—are you talking about some of these periods? What did you mean when you said that these years were going to be among the most satisfying? You didn't go to Jordan—*

CROSSWELL: Well, overall the period from 1991 to the 2006 Bush aid reform was immensely rewarding and fulfilling, even with some lulls and some painful reorganizations. Most of the time there were interesting and challenging questions on the table. And, there was an internal audience very interested in the answers to those questions. Sometimes there was an assignment or question directed to me. Other times the questions or issues were just out there. If I made the effort to look into them, I could be assured of an appreciative internal audience that would use the findings to good effect. Further, external discussions of development issues were often simplistic or uninformed by the data and evidence. Our donor partners group provided some great writing opportunities. They would ask for comments on documents from the UN and others and those stimulated some good papers – e.g. on diversity and heterogeneity among least developed countries; and on antiquated views of the challenge of development as mainly one of overcoming foreign exchange and savings constraints. And finally, as I mentioned earlier the same issues kept coming up, for instance on trade and mixed credits. All this in 2002 and 2003.

*Q: And did this go on all the way through the two Bush administrations?*

CROSSWELL: For Bush II, after the discouraging start that I've described, it became the best of times and then the worst of times. I'll explain "the best of times" if we can talk about that.

*Q: Go ahead.*

CROSSWELL: Okay, so MCA and PEPFAR were a blow; the Natsios Report was still pending; and the emphasis on development in the 2002 National Security Strategy represented a genuine opportunity. So, we said, well, we need to identify AID's role in all this. In August (2002) Cronin provided a brief outline with a set of headings in the form of questions – about the importance of development to national interests, the feasibility of development progress as evidenced by the development record; the nature of the challenge going forward; relevant lessons learned about development and aid effectiveness; MCA's role; AID's complementary role; and reforms required for AID to play that role. This was called the "Roadmap" exercise, short for "Roadmap to a

Revolution in Foreign Assistance”. He provided this outline to a group of about a dozen people.

I drafted a heavily annotated “talking outline”, about 12 pages. It built on work we had already done – including the 1996 testimony and the [Development Record](#) paper -- and on papers by outsiders. Where MCA was concerned, we pointed out the very limited number of candidates for MCA’s growth-oriented programs, leaving plenty of countries and plenty of challenges to be addressed by AID. Where aid reform was concerned, we emphasized the need to delineate and define a limited number of core objectives for foreign aid; align resources more clearly with those objectives; and make separate provision for the many other ‘secondary’ objectives for foreign aid. Finally, we outlined an illustrative strategic framework that would fill the bill, drawing on the [strategic planning paper](#).

We got the go ahead to keep developing this and we did. But it was slow-going and tedious. We were laboriously providing a foundation, brick by brick. It got kind of ponderous and it felt like we had bogged down and lost momentum.

Then, Tish Butler, the head of the policy office says “Well, we should have a conference about all this.” So, in February 2003 we had a two-day symposium on strategic thinking, around 30 people in a room with a very large conference table. We had some people from the Hill, some people from State, NSC, Steve Radelet, the think-tank community, etc. Patrick gave a talk – I believe written with help from Polly Byers and drawing on the work we had done – that outlined the various challenges for foreign aid, and roles for MCA and AID. He listed five challenges. There was a lively discussion. There’s a great [summary report](#) on the entire symposium.

That event reestablished momentum. All of a sudden, we felt like there was a command—not a formal tasker, but an imperative -- “Follow up with a paper”.

*Q: You were asked to prepare a paper in preparation for the seminar or for afterwards?*

CROSSWELL: Well, we had the evolving roadmap paper prior to the seminar. Tish Butler made a presentation on it.

The symposium created great appetite for a follow-up paper. And, the framework laid out by Patrick worked perfectly and sort of liberated us from some of the issues that were bogging us down. We were able to do a much tighter and more fluid and more interesting paper afterwards. This became known as the [USAID White Paper](#). In mid-March we had a ten-page annotated outline, and we had a draft by later in the Spring.

*Q: 2003?*

CROSSWELL: Yes. The paper proposed a framework with five core goals. The first, and in a sense the primary goal, we called transformational development. The transformation of countries. Economic and social development as taught in college and graduate school.

The second was to strengthen fragile states, a distinct task in a distinct set of countries.

Among the countries in the development group and countries in the fragile states group, there are some key strategic allies, with big ESF programs driven by foreign policy concerns. The third core goal was to support strategic states.

The fourth goal was to address global issues and other special concerns, a sort of catch-all for assistance activities that were not dictated by the preceding three objectives.

And then the fifth was humanitarian assistance.

The key message in the paper is that you had to distinguish among these goals. You had to align resources with each one. So, you didn't try to do democracy and economic growth with the same dollar. You have resources for development, resources for fragile states, resources for strategic states. And even if you didn't have distinct accounts, you could take the budget, especially the very barnacled development assistance budget, and you could say, "Okay, we're going to count the micro-enterprise earmark as a special concern." But the resources going to agriculture are fairly flexible. So, they're going to be counted as "development" resources.

One important reason for distinguishing among the five goals is because distinct goals call for distinct strategies and distinct results indicators. That's as opposed to judging all foreign aid based on standard development results indicators. Among other things, that was important in dealing with various attacks and critiques of foreign aid, and it remains important.

*Q: And what happened to this paper?*

CROSSWELL: All sorts of wonderful things. Unlike the roadmap exercise, it got a lot of traction. We went through successive drafts, vetting and discussing it widely inside and outside the agency. We recorded and responded to every issue raised. If you look at the paper, you'll find an Annex with fourteen issues that were raised, and discussion points responding to each issue. The paper was presented at the October 2003 mission directors' conference as the basis for a session on AID's strategic vision. Afterwards, Natsios blesses it and Frontlines reports that this now sets strategic direction for the agency. So, it becomes the overarching policy framework for AID.

*Q: And are the mission directors happy?*

CROSSWELL: I thought they were fairly supportive in the discussions at the conference. We had done our homework, and I didn't hear comments that indicated flaws. There were still a lot of questions. What about the budget? You can say transformational development is the primary goal, but where is the money? But I think they viewed it as a sensible policy framework. At some point Robert Baker in CDIE conducted a large survey on a variety of topics. He shared the comments that pertained to the White Paper



with me. There were a good number of very positive comments, along with some that were skeptical or dismissive. The most gratifying to me were comments that applauded a move away from “sectors” and towards a focus on countries.

*Q: So did you then have a role subsequently in the way in which the paper was picked up and used?*

CROSSWELL: Yes. We had a team including Joan Atherton, Anne Phillips, Melissa Brown, Parrie Henderson, and Pat Sommers. Don Sillers had been reassigned to EGAT as part of the reorganization – a big loss for us -- but he also contributed. We faced four major tasks. The first was to sort countries according to the first three goals – transformational development, fragile states, and strategic states.

*Q: That's fairly demanding.*

CROSSWELL: Well, it was a good test of the claim of distinct goals. Gauging fragility was the biggest challenge and we recognized that. And, to this day it remains a major challenge. Some of the popular approaches today are very broad and expansive. They come close to equating fragility and underdevelopment. One of my last [papers](#) before retiring from AID dealt with this issue, and I've continued working on it.

In 2003 the idea of fragility was relatively new – you'll recall that just the term itself was fairly controversial, whatever the definition and underlying concepts. Sort of “the problem that dare not speak its name”. I recall that the Bank was reluctant to use the term for a while. In any case, we came up with a practical approach that worked well. We were just trying to take existing realities and put them in a coherent framework.

*Q: What did that look like?*

CROSSWELL: The general approach was to arrive at a preliminary array of countries based on indicators, and then consult with regional bureaus and adjust where appropriate. We wrote up the methodology and the underlying data, so that was all transparent. The goal was to distinguish countries where programs would be governed by development criteria and best practice from countries where fragility or foreign policy interests were of predominant concern.

The strategic states we identified pretty readily. Those were any significant programs, typically Economic Support Funds, where foreign policy interests dictated assistance levels and/or program content. There were around fourteen such programs.

On fragility, it was more complicated, both conceptually and bureaucratically. We did NOT follow the World Bank approach that essentially equated fragile states with weak policy performers. (Recall “Low-income countries under stress” or LICUS) Instead, we came to focus mainly on instability and conflict. Fragile states were countries where instability and conflict were so high and problematic that you couldn't reasonably expect medium-term development programs to achieve results. Instead, you should be focused

on near-term stabilization and consolidation. Some of these countries were part of the strategic states group. That left about a dozen others where the first order of business was a peace, stability, and security. And then, success and “graduation” would mean they would join the development group.

The remaining countries were in the transformational development group. We divided countries up by income level (low and middle-income); and by policy performance (good, fair, weak) using World Bank and MCC ratings. So, reasonably stable countries with weak policy performance were NOT in the fragile states group – in contrast to some other approaches to gauging fragility. So, we had information on need and commitment for purposes of selectivity among countries in the development group. And, it was plainly evident that there were plenty of countries with fair to good policy performance that were not covered by MCC programs, hence a role for AID. (Not to mention a role for AID in countries that had MCC programs, as explained later in my [MCA](#) paper.)

We documented all this and took it to each regional bureau for review and comment. The discussions had mostly to do with fragile states versus development. (The policy performance groupings were indicator driven and not subject to debate and adjustment.) We did not get into philosophical discussions about fragility. Instead we simply asked -- “Would you want to be held accountable for development results in this country, or do you think instead the first order of business is peace and security?” This led to only a very few adjustments, not many.

*Q: Did you find that your regional counterparts were willing to engage in this reasonably objectively and that you were able to come to a sense with them of the right direction?*

CROSSWELL: I thought the discussions went very well. Regional bureau staff tended to be very supportive of the White Paper because it emphasized countries rather than sectors, and flexible resources for promoting development and addressing fragility. For the Africa Bureau I remember talking mainly with Wade Warren and Ruth Buckley. From my perspective it was a very reasonable discussion. I hope they felt the same way.

*Q: They weren't all put in the Fragility Group?*

CROSSWELL: No. In contrast to today's very expansive OECD list of fragile states or the Fragile States Index, our approach was much narrower and more focused on instability and conflict. And, we had a good indicator from Worldwide Governance Indicators. So, our preliminary list was not a long one. I recall they suggested only one or two adjustments, and we made them.

*Q: You thought that they were realistic?*

CROSSWELL: Yes. For one thing, they are the ones who are primarily responsible for results, so it's in their interest to be realistic. For another, at this point there were no resources riding on these designations, or other problematic incentives. So, PPC's job was to do a preliminary grouping based on data, and their job was to suggest adjustments

based on their deeper knowledge and understanding of country circumstances and what kind of results were feasible.

(By the way, I continued to maintain and update a country array under the rubric of “the development landscape”. The 2016 edition is available [here](#). It includes a discussion of the basic approach to groupings, some issues in identifying fragile states, and much more.)

*Q: Then what?*

CROSSWELL: The second major task was to align resources with goals. Joan Atherton led this effort. We needed to look at the budget and to distinguish what we call flexible resources -- with which a mission has a fair amount of strategic latitude -- versus restricted resources, for which the uses were pretty sharply confined.

*Q: Through earmarks, etc.*

CROSSWELL: Yes. The White Paper discussed some nine principles for aid effectiveness. So, we had a set of questions for each pot of money based on these principles. Could the resources be allocated across countries according to broad development selectivity criteria? Was there ample room for recipient ownership and partnership in the choice of assistance activities within a sector? Could we work on policies and institutions or was the funding for direct service delivery? We had nine such questions.

So the first task was making distinctions among countries and the second task was distinguishing between flexible resources and restricted resources (within the development assistance account). Flexible resources were associated with the first two goals; ESF with support for strategic states; and restricted resources were associated with global issues and special concerns.

The third major task was strategic budgeting for the flexible resources. Don Sillers led this effort. We first divided flexible resources according to their current allocation to fragile states and to other (development) countries. For the countries in the development group, we did a version of the standard strategic budgeting model, based on need, policy performance, and population size. For fragile states we had about eight countries funded by Development Assistance rather than ESF. We approached those in an ad hoc way, prioritizing those with relatively good leadership, such as Nepal and probably Liberia. Those were countries where progress in terms of reducing fragility appeared relatively feasible.

In all this the policy office was working with the program coordination office – particularly Parrie Henderson – and with the Budget Office, especially Pat Sommers. Over the course of a year or two we're pushing this along. So it's affecting budget allocations and country strategies, to the extent that countries have flexible resources.

*Q: These budgets were approved by OMB?*

CROSSWELL: Well, I should say it's affecting our budget request. I'm not sure about what happened to those requests further down the line. And I can't recall if we were presenting a request directly to OMB or to State and then to OMB.

*Q: And this was 2003-2004?*

CROSSWELL: The Administrator approved the White Paper after the Mission Directors' Conference in late 2003, and the final version of the paper came out in January 2004. So, throughout 2004 and 2005 and into 2006 we were marching down this path. The strategic budgeting work was in 2005.

I'll mention a fourth major task – reconciling sectoral strategies with our new policy framework. By now the pillar bureaus had a large role in writing sectoral strategies. We in PPC had major issues with some of these strategies, which tended to be expansive and self-promotional rather than focused, strategic, and based on evidence and analysis. The education strategy was especially problematic. So, we did a paper with guidance to ensure that sectoral strategies fit within the White Paper framework, and to ensure that they were based on evidence, analysis, and lessons learned, and not just advocacy. With strong central functional bureaus, maintaining a policy function that was independent of operational interests has been a recurring problem.

*Q: Did Natsios stay the whole term?*

CROSSWELL: Ah. Okay, so a couple of things are happening. First, my understanding is that Natsios was fundamentally supportive of the White Paper framework, and proud to say that it was developed by the career staff. In the first part of 2004 he and other senior staff took it to State, OMB, NSC and think tanks. I suppose this was an effort to put AID back on the foreign aid map. And also to lay the groundwork for how we would approach the budget. I remember seeing a positive, hand-written comment from Colin Powell in the margins of one of the briefers we had done. More generally, from what I heard the approach was very well-received. Meanwhile, we're making progress internally. So, already by September 2004 we're directed to start work on the paper that will enshrine it as official AID policy.

Later in 2004 we are invited to some meetings with Robin Cleveland in the NSC and with OMB staff. By this time Tish Butler has retired and Charles North (son of Haven North) has come in to head the Policy Office – a truly excellent appointment. Jon Breslar is DAA. Around this time Cronin leaves and John Simon moves to the NSC. So, for a while it's pretty much the career staff running PPC.

The message from Cleveland is that for the second term there's strong interest in some sort of aid reform. 'We're really interested in the work you're doing'. Apparently, this reform will get worked out in the interagency.

For the meetings with OMB they share two pieces of work as inputs for an effort at aid reform. First, they've come up with their own set of country groupings.

*Q: This was their [OMB] construct?*

CROSSWELL: This was their construct, supposedly inspired by and building on the White Paper. But the groupings were sequenced, as stages of development. There were failed states, recovering states, stable but underdeveloped countries (including some middle-income countries), and “transition countries”. The latter group comprised MCA recipients and threshold countries – good policy performers. (This group would later be called “transforming countries”). They ignored “strategic states”. And there was no little or no way of accommodating global issues and special concerns. So, we pointed out the critical omission of strategic states. We noted the importance of looking at fragility as a matter of instability and conflict, which was *not* a stage of development. And, we pointed out their distinction between “underdeveloped” and “transitional” was somewhat ephemeral. Policy performance can fluctuate – good or weak policy performance is not a stage of development. We raised some important issues and had some limited exchanges. But, the discussions were somewhat delicate and tense.

Second – and still getting to Natsios’ departure — OMB also came up with a PowerPoint presentation entitled “Rethinking Foreign Assistance”. They looked at the top thirty-four recipients of foreign aid over the forty-year period from 1962 to 2002. They complained that few had graduated; and that there had been little or no progress in economic development for these countries. So, foreign aid had failed. The explanation was that we had not focused aid on good policy performers.

This sounded very reminiscent of the Heritage and CATO attacks we had refuted in the 1990s – the allegations that “poor countries were still poor” and that aid had largely been poured down “ratholes”. And, it seemed to be an amazing coincidence that the [paper](#) we did in response to those attacks included an analysis of the top 31 recipients over the 1962-1990 period. Where and how did OMB come up with this presentation?

I saw it as basically a hatchet job. Our earlier work had characterized the development record as predominantly (but not universally) positive in economic and social terms, both in general and for the 31 top recipients. So, we were well-positioned to respond. We pointed out – politely and constructively – various problems with the analysis, starting with the fact that they had lumped together military aid, humanitarian assistance, and economic assistance in identifying top recipients. More generally they ignored the main point of the White Paper – that much of foreign aid addressed important objectives besides development. Results should be judged accordingly.

In particular, they ignored programs driven by foreign policy priorities, programs aimed at fragility and crisis, and programs aimed at transition from Communism (which inevitably followed a pattern of steep declines in output, and then recovery). Not to mention humanitarian aid and global issues. I dove deeply into the Greenbook for assistance data disaggregated by purpose (ESF, food aid, military aid, DA) and by time

period. The list of top recipients changed quite a bit depending on which accounts we looked at. We wrote up our analysis and sent over some suggested edits to their presentation. But there was no meaningful discussion that I can recall, even though Jon Breslar, Charles North and I had worked well with several of the OMB staff who seemed to be involved – Rob Goldberg, Mike Casella, and Christa Capozzola.

All of this is in late 2004. During 2005 there's increasing talk of a major aid reform, talk coming from the interagency -- I believe from the "Joint Policy Council". However, details are scant. Within AID we've drafted the policy paper that institutionalizes the new framework and approach. But it remains "on hold" pending outside developments. Further, with encouragement from the new head of PPC, Doug Menarchik (Retired Colonel, USAF), we draft a "National Development Strategy" in May 2005, as an analogue to the National Defense Strategy. It's based on the White Paper framework. So, we're trying to demonstrate our capabilities and expertise to the interagency. At the same time, I'm feeling nervous that the "big boys" are going to stomp on us.

In October 2005 I'm told that a top-level USG group has approved a proposal for reform of foreign aid that is based on and reflects the White Paper. That seems like quite a triumph. But I have a real sense of trepidation – the proposal could get implemented in disastrous ways.

Over the next several months we learn that PPC's functions (except donor coordination) will move to a new office in State (to be known as F, the Office of the Director of Foreign Aid – a single letter is very prestigious). Natsios will resign. Randall Tobias, currently Global AIDS Coordinator, will be a second Deputy Secretary of State, Director of Foreign Aid, and Administrator of AID.

With strong support from Natsios we finalize and issue the [Policy Framework for Bilateral Foreign Aid](#) in January 2006. We keep hearing that the policy substance of the aid reform will be based on the White Paper so we figure that this Policy Framework will be relevant and helpful. We are given to understand that Tobias has reviewed the policy framework and is on board.

*Q: But was Henrietta Fore immediately put in that position? Or was it your impression that Natsios resigned because of these changes? Or is all this just happenstance?*

CROSSWELL: Henrietta comes onto the scene a year later (May 2007), under quite unique circumstances.

My uninformed supposition had always been that Natsios was more or less forced out by all this. It was hard to see this reorganization strengthening AID and it felt right away like it was being done to AID by more powerful agencies – a real loss of autonomy.

But recently (March 2019) at an AID alumni association meeting, Natsios said that he was planning to resign in any case. Further, he said that the creation of F and the dual hatted position was his idea, to help overcome all the resistance he had encountered in

dealing with State. My immediate reaction upon hearing this was “he sold us down the river”. But I expect there is much more to the story.

## **THE BUSH ADMINISTRATION – OFFICE OF THE DIRECTOR OF FOREIGN AID (F), 2006-2009**

In any case Natsios departs and most of PPC and the budget office are to move to the new Office of the Director of Foreign Aid, to be headed by Randall Tobias. It’s to be staffed partly by AID folks and partly by folks from State and from PEPFAR. Dirk Dijkerman (AID foreign service, former DAA in PPC, and more recently at the War College) is to be Chief Operating Officer. Tobias will be in charge.

*Q: While maintaining his place in PEPFAR?*

CROSSWELL: No, I’m pretty sure he leaves PEPFAR. But he brings some of his staff with him, including Nazanin Ash, who will be his Chief of Staff. So, the new office is a mix of three quite distinct organizational cultures – AID, State, and PEPFAR. We sit in the State Department, but we are meant to be a blended unit representing all three organizations. In the case of AID staff, we retain our institutional affiliation with AID. The same goes for State staff. I’m not sure about PEPFAR.

*Q: That's the F staff. But Tobias is also running the remainder of AID.*

CROSSWELL: Yes, he's dual hatted as the Administrator of AID. But it seems like his main preoccupation is F.

So, F comes into being in May 2006. On the positive side, there’s a fair amount of excitement – this is going to be an important Office with a lot of authority. Budget and policy will be together, in a unit (around 50-60 people?) with a lot of clout.

However, we had already experienced one major setback. All along, the word was that the reform was based on the White Paper framework. However, in April or so, Tobias and Dirk Dijkerman came to introduce PPC staff to the new “[Foreign Assistance Framework](#)”, the policy centerpiece of aid reform. This was a complete surprise to us. They explained that they had taken the White Paper framework “to another level”. In fact, this was essentially the framework that OMB had put on the table in late 2004. The same flaws and problems were still there.

Surprisingly I had mixed feelings. Okay it's a different framework, but you know it's got a lot of political and bureaucratic oomph behind it, more than we had in AID and PPC. So maybe we could make some adjustments, fix the problems, and then enjoy operating from a more powerful position. I was open-minded. And there was even some sense of relief. The White Paper work had involved a lot of explaining and convincing and pushing, from a position that didn’t feel very powerful. It might be nice to be part of a more authoritative operation, with policy and budget combined.

We experienced a second major setback right after the move to F. There was supposed to be a Policy Office -- mainly AID policy staff and also a few others, about 8-10 people in all. Charles North was to head this group. We sat together in a nice set of offices.

However, the second day we are there, Tobias' chief of staff, Nazanin Ash, invited Charles and me to a meeting that included Dirk. She explained that we didn't need a policy office after all. Anyone in F would be free to raise policy issues. They could bring them to her, and she would "tee them up" for the Director. So that's how policy was going to be handled. I didn't hear any recognition of the need to bring evidence and analysis to bear on policy issues. I had the proverbial "very bad feeling" about this. I expressed concerns to Dirk. He acknowledged the concerns and counseled patience and openness to new ways of operating.

*Q: So how does that work out?*

The front office in F was eager to take the new [foreign assistance framework](#) and make it into a PEPFAR-like, results-oriented, metric-driven operation. But, the framework didn't rest on any sort of analytical foundation such as a strategy or background paper. There was no paper trail that laid out the underlying concepts and logic, and indicated what sort of issues had arisen and how they were dealt with. So, at the same time that we were launching budget and program reviews to implement the framework, we were also supposed to come up with a foreign assistance strategy based on and reflecting the framework. This was likened to building the plane while flying it.

In the absence of a policy office, the front office in F turned to various folks to come up with outlines for a strategy. Eventually, the assignment came to Charles and me. We drafted one version focused on the country groups, and getting countries from one stage to another. But, that didn't seem to provide what the front office thought they needed. Then we tried a focus on functional goals – the column headings in the matrix. (Economic growth, governance, investing in people, etc.) That didn't work either. All this is going on without a policy office with lead responsibility to structure the process and clarify and analyze the issues and options. It was sort of a free for all. In the end you have to find a way to reconcile a focus on progress at the country level and a focus on sectoral goals, as we had done with the White Paper. However -- between the Foreign Assistance Framework and the F senior leadership – we couldn't get there.

We go through a year of this. It's interesting work—just trying to come to grips with the issues. In May 2007 Tobias' name shows up on the *Washington D.C. Madam's List*. He is out of there in a second. Nazanin soon moves to State Policy Planning.

Henrietta Fore replaces Tobias, and Rich Green from State becomes for practical purposes the head of F. I'm not sure of the titles, but he is above Dirk and in charge. My recollection is that Henrietta is more of a presence in AID than in F, and more concerned with management than policy.



*Q: Does she have this dual hat that Tobias had?*

CROSSWELL: Yes. I'm not sure of the working relationship between Henrietta and Rich.

With the departures, several of us made strong appeals to Rich to restore the policy function. We got nowhere. We were now clearly operating within the State culture, which puts a premium on flexibility and ability to respond quickly to new developments and interests. In contrast, development policy and strategy aim at approaches that will achieve progress and results over the medium term – chart a path and stick to it. In any case the impetus for a strategy disappears. I used to joke that State's idea of a policy framework was a framed picture of the Secretary of State.

So, the country categories and the foreign assistance framework – the centerpiece of aid reform -- fall into disuse. The five functional categories – the column headings – become essentially budgeting and accounting devices, with a lot of detail about types of programs under each heading. But there's not a real strategy for each functional area to speak of. We're basically operating in a policy vacuum, or rather policy that's driven by the annual budget process.

I would note that Tobias' departure also created an opportunity for USAID to restore at least some semblance of a policy function. Henrietta was very supportive of AID. With her in charge AID could easily have set up some sort of unit to analyze foreign aid policy issues. In hindsight, that was arguably the more important lost opportunity, as we'll see when we discuss the Obama aid review.

*Q: So what do you do? You were in that for four years, almost five years?*

CROSSWELL: If you're working in the world of foreign aid and development, interesting issues always come up – often familiar issues. I managed to keep very busy and I wrote a lot of papers, notes, and commentary – if only to demonstrate the kind of work F should be doing as a matter of course. I was in the “Global/Functional” office, with program officers for each of the five functional areas. John Ellis was covering Economic Growth. I did everything I could to hang onto my identity as a policy analyst. I must very gratefully acknowledge my supervisor for most of this time, Paula Lynch. Though she was a generalist from State, she was sympathetic to the need for policy analysis. More generally, she was a genuinely nice person and an excellent manager. She gave me great latitude as long as I was productive and making useful contributions.

We're now in the second half of 2007 extending into 2008. Some of us at the staff level – mainly AID but also some State staff -- keep pushing for more in the way of analysis of issues. Under the leadership of Donna Stauffer (from AID), we formed the “Analysis Improvement Team” to look at issues that were popping up. One member was a very bright young Department of State staffer, a recent SAIS graduate named Jean Arkedis. We put together a paper on [how to improve the foreign assistance framework](#). We reviewed experience in trying to use the country categories and explained some of the

problems as well as some strengths. We then discussed a few adjustments that would resolve the problems and provide a workable framework for foreign aid. Not surprisingly, these adjustments tended to point back to the original White Paper framework, though we weren't explicit about that. It was after all a tried and true, coherent policy framework.

More generally, issues and questions kept presenting themselves. So, I wrote notes and papers that provided interesting and helpful findings, even if there wasn't policy to influence. During 2007-10 I wrote about [misconceptions surrounding the MCA](#); the [not-so-elusive quest for growth](#); an [update of the development record paper](#) in response to recurring critiques of foreign aid (including by OMB and by Tobias); a [paper on governance and foreign aid policy](#) that shed light on selectivity, democracy, fragility, graduation, and the basic rationale for foreign aid; a ["post-mortem" on the 2006 aid reform](#); and a [paper](#) on how the strategic framework for foreign aid had evolved over the years. Together with AID colleagues including Steve Hadley and Don Sillers, we resuscitated, revised and issued the USAID [Economic Growth Strategy](#) that we had drafted prior to the 2006 aid reform and then shelved. So, AID clearly had the leeway to do some work on policy issues -- they just didn't take advantage and staff up.

Overall it was -- somewhat surprisingly -- a very productive time for me. Several things kept me going. I was a stranger in a strange land, the lone policy analyst in F. AID didn't have a policy office. So, I felt I should try to keep the policy analysis flame burning and look to the day when the policy function would be resurrected. There was a lot of external criticism of how State and F were managing foreign aid. So, there was hope for eventual change. And, I had already experienced fluctuations between bad times and good times, so I had some perspective. I sometimes referred to the transfer of AID's policy staff to F as akin to the Babylonian Exile. (I was making a lot of biblical references in those days.) I didn't think the current situation would last forever.

Meanwhile, we get further into 2008 and there's to be an election and a new administration. There's belated recognition that we don't really have a clear story about how foreign aid is being run. So, there were a few haphazard attempts both in AID and in F to try and retrofit what we were doing into a coherent strategy. I wrote a few notes to try to help these exercises. But we were too far gone for that.

*Q: And were you able to put together a five-hundred-page briefing book for the new administration? [laughs]*

CROSSWELL: Well, I did my [post-mortem paper](#), just in case someone was curious about where we were and how we got there. But there was no call for a briefing book that I heard. I suppose the main briefing to be done was "what are we spending our money on"? The policy part of the briefing book would have been a blank page. But we *did* have an accumulation of analytical papers and background work at hand.

*Q: These papers that you did that you found interest in on various subjects—were you able to get them around to people? Were you ever able to publish any of these things?*

CROSSWELL: Well, in 2004 I submitted my [strategic planning paper](#) in response to a call for papers for the annual Global Conference on Business and Economics. The next year I presented my [paper on the MDG's](#) to the same conference. It continued to provide a good stimulus and a good outlet, including for some of the 2007-10 papers I mentioned. If you just submitted a credible, reasonable paper, they would peer review it and invite you to present it. Paula was supportive. So that was a vehicle for publication of a sort.

*Q: So you did that.*

CROSSWELL: Yes. But the papers were always stimulated by issues at work and were initially written for an internal or other USG audience. The conferences provided a push to produce a polished version. Later, I could hand it out as a conference paper.

*Q: Had you been able to do that before? Was this the first time?*

CROSSWELL: Not quite the first time. In the latter 1970s -- when you were head of PPC -- I was happy just to have senior managers at AID as an audience. After I replaced Jim DeMelo at AID, he would ask me if I “had time to do my own thing”, i.e. my own research. That was never an issue for me, I was always happy working on “AID’s thing”. Under Costas Michalopoulos we had a discussion paper series that provided an outlet for more polished, rigorous versions of some of those papers. And, Danny Leipziger took the initiative to collect some of those papers and get them published in a book, [Basic Needs and Development](#). But, from the early 1980s until around 2003, there were at best only a few papers for conferences of aid practitioners. Well, also the [Development Record](#) paper that was published in Praxis. I DID do a lot of writing during those years, and some of that fed into more formal papers after 2003.

*Q: Well, let's hold it there. it's been about two hours, and what we will do the next time, unless there's something more about the Bush period that you want to say now, what we'll do is focus on the Obama period leading up to your ultimate retirement after forty four million years and forty three million written pages. I'll give you a chance to reflect on and talk about all that policy work that you did, but are there any last thoughts on the Bush period?*

CROSSWELL: Well, I will just set the stage by saying that by 2008 we've got not just internal recognition (in F and AID) that we're operating in a policy vacuum, but also considerable external recognition. There's the 2007 HELP Commission Report; a 2007 Brookings volume edited by Lael Brainard; and Carol Lancaster's 2008 book for the Center for Global Development on the Bush aid reform. Each of them comes up with a framework of distinct goals for foreign aid, starting with 'development' and then citing others. Jean Arkedis – at CGD in early 2009 working on her “Grand Bargain” paper -- produced a great graphic lining up these frameworks with one another and with the 2006 AID Policy Framework, demonstrating basic symmetry and similarity. (The graphic is reproduced on page 10 of the [post-mortem paper](#).) There's also the Modernizing Foreign Assistance Network associated with the Center for Global Development (CGD). So, there's a lot of ferment for reform of foreign aid, and a fairly widespread sense in the

foreign aid community that the current organizational arrangements haven't worked out well.

On the less positive side, in 2008 food prices spike. Someone once said "never let a good crisis go to waste". So, there develops strong interest in a food security initiative. Some of the former PEPFAR folks in State join forces with the Agriculture Office in AID to develop such an initiative. It's called a food security initiative, but it is basically an agricultural initiative, justified by a traditional story about food security and the role of agriculture that by now has quite a few holes in it. With support from Paula Lynch, we tried to put the initiative on a broader footing, pointing out that food insecurity was mainly a function of income and poverty, and not inadequate food supplies. We wrote several papers bringing evidence and analysis to bear. We got nowhere.

This was when I really felt the absence of a policy office -- one that was independent of operational interests and could keep advocates honest. The proposed initiative took off in 2009 -- a great example of budget-driven policy or policy by initiative. Like most other initiatives, it proposed a limited, relatively narrow approach purporting to solve a much larger and more complex problem. The means was more important than the end.

*Q: Okay, great. thank you very much—we can pick this up soon.*

#### **THE OBAMA ADMINISTRATION – OFFICE OF THE DIRECTOR OF FOREIGN AID (F), 2009-2010**

*Q: This is Alex Shakow, and I'm with Mike Crosswell on July 18, 2018. This is the third of our sessions, and this time I think we are going to be beginning with the very end of the Bush II administration, and the beginning of the Obama administration, and this will provide Mike a chance to talk about what happened with the arrival of the Obama administration. You said at the end of our last session that something of a policy vacuum was recognized both outside and inside AID at the end of the Bush administration. So we're going to really finish up on this 40-year career through this last administration, and then we're going to talk a little bit about these 40 years, what's the grand sweep of history. So, Mike, why don't you tell me what happened as the administration changed?*

CROSSWELL: Okay. So, everyone is expecting big change because there's a lot of discussion about the need for change, both internally and externally. Especially the need for some sort of coherent overarching policy.

Obama gets elected and appoints Hillary Clinton as Secretary of State. She arrives, and there's not really much indication that anything is going to change. She seems pretty content to be Secretary of State with control of the foreign aid budget as well as the diplomatic function. So, certainly organizationally, I imagine she finds this a good situation. And, there's no evidence of any concern with policy incoherence -- no perceived need for putting shape and form on the foreign aid program.

*Q: There was no administrator at that point.*

CROSSWELL: That's right. F started out as a combined AID/State operating unit, beholden neither to one or the other, but for both. But, over the course of time it's become more and more of a State operation, particularly after Tobias left. It has AID staff to help formulate the Budget. There is no policy office in either F or AID. AID has become essentially an implementing agency. (And aid effectiveness is regarded by State as essentially an implementation issue -- not dependent on policy and strategy.)

*Q: Who was the head of F at that point?*

CROSSWELL: Prior to the election Henrietta Fore was the Director for Foreign Aid and Administrator of AID. For practical purposes, Rich Green – a career State Department employee – was running F. So, with the transition Henrietta leaves and Rich is leading F.

*Q: You're working in F, the administration changes come January 20th, so no radical changes.*

CROSSWELL: That's right, no sign of any big changes on the horizon. Certainly, within State there is no sign of any systematic policy review. I pictured Rich Green leading Clinton to the top of the mountain and saying "all this can be yours" and she says "Great, I'll take it!" Pretty early on it's announced that Jack Lew will be the Director for Foreign Aid. (But not the AID Administrator.) For the next six months, the main action in State is pushing the food security initiative. With support from my office, I'm writing papers pointing out that the challenge of food security is much broader than agricultural production, citing data and analysis by others. In August, I go off on vacation feeling very discouraged.

*Q: They've already been in office six months...*

CROSSWELL: Yes, and all we've seen is the food security initiative. Around June, Lew suggested that we needed an initiative for growth and governance. So, the mindset in State is clearly one of policy via budgetary initiative rather than policy as a matter of core goals. Lew later moves to become head of OMB.

So, here's a quick story. For a week in August my wife and kids are all away at scout camps. In best Garrison Keillor fashion, I decide to take a road trip, exploring the Dakotas and Nebraska on two-lane roads. After failing to find lodging in the oil boom part of North Dakota (Williston), and after a lot of additional driving I land in the town of Dickinson, on Interstate 94, and get the last room available at a motel. The next morning, I pick up the four-page newspaper and I read about a guy – named Ross -- who is *walking* along the interstate from western North Dakota bound for Washington D.C. He's carrying an American flag. He's marching to Washington to protest the conduct of government -- the political system is not serving the country well. It's not doing its job.

That strikes a chord. So, I track this guy down and walk along with him for a mile or two. I realize now that he was an original Tea Party type, but I wasn't much aware of that at

the time. We had the same, shared concerns about the failures of the political system to serve the public interest. But we had somewhat different explanations about why that was so. It was a great conversation. We were both discouraged, it didn't seem like any sort of reform or change -- after much hope for it—was going to happen. I was inspired by his resolve, I wished him well and we agreed to stay in touch.

So I returned in August. Out of the blue (to me) comes an announcement that the Obama NSC will conduct a review of foreign aid – an interagency review. Shades of 1977! That was the last time (if I have this correctly) that the NSC instigated a basic review of foreign aid. (Who knows what happened in 2006?) The review is referred to as PSD-7, where PSD stands Presidential Study Directive.

But there are two big differences compared with 1977. First, there are many more players where foreign aid is concerned, and the relationship between two of them – State and AID – was an issue.

Second, there wasn't a credible, knowledgeable policy office anywhere to support the effort -- not in State and not in AID. There was no PPC to write papers. So, it was up to the NSC staff themselves to do the heavy analytical lifting, and structure and lead the review, and so forth. Not just call for it and oversee it, but actually carry out the analytical work.

The note that announces the review looks very promising.

*Q: Was Gayle Smith leading that?*

CROSSWELL: Yes. The three staffers that I became aware of were Gayle Smith, Jeremy Weinstein, and Chris Broughton. Jeremy had been at the Center for Global Development and also taught at Harvard. Chris was fairly junior, a recent graduate of the Woodrow Wilson School at Princeton. I think Gayle had also been with the Center for Global Development and had long been active in foreign aid. (I didn't actually meet her until a year or so later.) And there was MFAN, you'll recall, the Modernizing Foreign Assistance Network. So, there was an organized network of people looking for reform of foreign aid, and these three were connected, informed, expert, knowledgeable— a great team.

*Q: And were you tasked to do some papers for them?*

CROSSWELL: Not really. They operated on two levels. First was a formal interagency group, each Agency with its own representation -- a normal sort of interagency forum. For State I think both the Economics Bureau and S/P participated. The S/P rep was Nazanin Ash, who had been the chief of staff for Tobias; had dissolved the policy office in F; and had then moved to S/P when Tobias left.

*Q: Who represented AID?*

CROSSWELL: At the staff level, I think Skip Waskin and Thomas Johnson were involved in this. I think Jim Michel represented AID at a more senior level. But overall, I didn't have a very clear view of who was part of the formal interagency group.

*Q: So what came with all this?*

CROSSWELL: This group was apparently meeting every couple of weeks for structured discussions based on papers prepared by the NSC staff – papers about 5-10 pages in length. In order to develop agency “positions”, the papers were shared with staff, including with our office in F. So I received copies.

They were a breath of fresh air, very professional and analytical and systematic. A paper for discussion in early September discussed the links between development and US national interests; the changing development landscape and contextual factors; the need for a coherent development policy to guide our efforts; and the three phases of the exercise (first the core elements of the policy, then tools and means, and only then organizational implications). It also laid out key assumptions, guiding principles, and issues, including development objectives and priorities.

This capsule description hardly does justice to this and subsequent NSC staff papers. To this day they stand as models for how to go about a review of foreign aid, and they remain timely. (I have electronic copies these papers. I'm not sure whether they are otherwise available, which is unfortunate.) The September paper was immensely encouraging to me, and I was eager to see how all this played out.

Meanwhile, Jeremy also marshalled an informal senior economists' group. Franck Wiebe, the chief economist of MCC was part of that. Kemy Monaghan from State's Bureau of Economic and Business Affairs (EB) also participated. My colleague John Ellis, who handled economic growth programming in F was also in that group. From AID I think Mary Ott and/or Gary Linden participated. Others came from Treasury, the Council of Economic Advisors, and from the Labor Department. It was not a large group.

Under the most fortuitous of circumstances, John was on a trip to Pakistan when this group was to meet on October 2. Kemy knew of my work and casually suggested that I attend in his place. So, I did. Jeremy put some very fundamental questions on the table, asking how foreign aid could be managed more strategically, and how the President might most constructively exert global leadership. It was a lot like the “clean slate” question – completely open-ended with no political imperatives. I was “loaded for bear.”

*Q: These are questions you've had already looked at multiple times?*

CROSSWELL: Yeah, questions I was begging to be asked, that I had looked at, written about, obsessed about...

*Q: Did you write the papers on these subjects and answers to these questions? Or just participate orally?*

CROSSWELL: Well, at one point in that first meeting we were discussing Obama's theme of a "new era of responsibility". I made some comments on the various frameworks for foreign aid that had emerged over the past several years, including in several CGD papers. And on the distinction in several CGD papers between "transformational development" and "redistributional development". (The latter term was from Nancy Birdsall at CGD. Later, the distinction was described by a Bank staffer as "big development" versus "small development".)

One of the CGD papers, by [Severino and Ray](#), identified three goals for foreign aid. The first corresponded to transformational development and the second to redistributional development. This was understood as direct service delivery to needy people to help achieve the MDGs, and humanitarian aid. The third was provision of global public goods.

Jeremy expressed interest in my sharing the CGD papers with the group. Franck kindly suggested that I also include a recent paper of mine (which Franck had seen) on the MDGs, which made similar distinctions. So, I sent those to the group by e-mail. And I sent some follow-on comments to Jeremy, along with a couple of additional papers.

Following that, I was added to the invitation list for the economists' group. I felt free to send papers and comments that I thought addressed the issues on the table. All of this was received by NSC staff in a polite, very non-committal way. They were completely open to ideas and input. Then they would go back and do their own thinking and writing. They were plenty smart, they didn't seem to need clarification or explanation. At some point I sent Jean Arkedis' draft paper on the basic framework for foreign aid with the graphic comparing overarching frameworks for foreign aid starting with the White Paper framework. (Here's the [final version](#) of Jean's paper, eventually issued by CGD in 2011.)

*Q: Was that a way of addressing the question of what focus there should be for foreign aid? And since you've talked about the fact that there was no focus.*

CROSSWELL: Yes. The September NSC paper had emphasized the need for a coherent development policy, particularly in view of the expanded number of actors (USG and external) in the development arena.

They issued a second paper in early October, I believe the week following my initial economists' meeting. (The NSC papers are undated for some reason.) It was an outline for a discussion of global development policy -- a heavily annotated outline of about six pages. Among other things, it pointed out that de-facto development policy encompassed over 50 distinct objectives, reflecting an accumulation of priorities -- we were spread thin. And some of these objectives operated at cross-purposes, creating incoherence. And, the focus was excessively short-term. Towards the end the outline posited three goals for U.S. development policy -- essentially the Severino/Ray framework. The NSC paper also presented some guiding principles, the last of which was "Ensure that policy drives budget" (as opposed to the budget process driving policy).



A few weeks later the NSC staff issues an “NSC/NEC Paper on U.S. Global Development Policy” to update the interagency on “findings” so far, particularly for Phase I. They emphasize the problem of budget-driven policy and the need for policy coherence. In addition to the three goals in their earlier paper, they add a goal pertaining to post-conflict transitions (aka fragile states). Among the four goals, they argue for much greater (than heretofore) emphasis on *transformational development* (using the term for the first time) and on *global public goods*. They draw a sharp distinction between transformational development and the goal (listed fourth) of humanitarian assistance and programs directed at the MDGs.

In early November they send around a five-page paper outlining three issues that have been subject to ongoing debate among agencies, for purposes of a Deputies’ meeting. They indicate that their study will eventually report both on areas of consensus and unsettled issues. So, this meeting is to register views.

The first issue is whether we should indeed put much greater emphasis on transformational development (now their term) and on global public goods. The second issue is whether we should single out a subset of countries and country programs where development progress is a secondary priority and major foreign policy concerns are primary. (They mention Egypt, Pakistan, Afghanistan, and Yemen.) This would be to shape expectations of results and manage “policy contradiction”. So, the NSC staff is now considering another of the USAID White Paper goals – supporting strategic states -- as a distinct fifth goal. More generally, the NSC staff has gravitated towards a framework that bears a very strong resemblance to the 2004 White Paper framework.

During the remainder of November and December there is lots of back and forth on country groups. It’s a controversial topic. State is dead set against distinguishing foreign policy driven programs (strategic states) from others. They argue that both development and foreign policy concerns should be important in all countries. There are e-mail exchanges that include lots of participants at the staff level. Meanwhile, all along (since 2004) I’ve been maintaining, updating and occasionally circulating (including in F) my “[Development Landscape](#)” spreadsheet with country groups based on the White Paper goals. At some point I send that around to participants in the e-mail exchanges -- including State participants -- to illustrate how the groupings would work.

However, this tends to undermine the official State position. I’m told that I can say what I like in the economists’ meetings, but I’m not allowed to share any written analysis (or spreadsheets) with the NSC staff without permission from the S/P rep. I decide to ignore this.

In any case, the NSC staff then gives a dream assignment to State, that comes to John Ellis and me. We should write a paper describing how country groupings, selectivity, and graduation would work under the five proposed goals -- based on F’s experience with the Foreign Assistance Framework and other prioritization efforts. This provides the opportunity to go over the basic logic of separate goals with separate strategic guiding principles and separate resources.

*Q: So what, in the end, was the product; this task force?*

CROSSWELL: In February the NSC staff issues a [draft White Paper](#) with the findings, conclusions, and recommendations of the PSD-7 exercise, at least the first two phases. But, it's important to mention what's going on simultaneously in State to understand the reaction to that paper.

*Q: And what was that?*

There had long been an exercise called the Quadrennial *Defense* Review (QDR). It flows from the National Defense Strategy and discusses implementation. (Charles North and I had drafted a 'National Development Strategy' in 2005, and again in 2007.) At about the same time as the PSD-7 exercise was initiated (and perhaps in response?) Secretary Clinton launched the Quadrennial Development and Diplomacy Review. It was *not* to be a policy exercise, but rather an appraisal of "institutional capabilities" (presumably for carrying out an eventual policy.)

*Q: This is the so-called QDDR.*

CROSSWELL: Yes. But – in sharp contrast to the QDR -- there is no strategy to provide a foundation for this review. So, institutional capabilities are being appraised without reference to any strategy. From the initial efforts I witnessed, the QDDR was a somewhat muddled exercise, with little in the way of development analysis and expertise brought to bear. It was not the sort of exercise State was used to.

Meanwhile, Tish Butler is back on the scene and she is detailed to State's Policy Planning Office, now headed by Anne-Marie Slaughter. In early Fall she convinces Slaughter that she should have a reference group or sounding board for occasional discussions of development and foreign aid. This becomes the 'development, democracy, and foreign aid' group (DDF), which periodically meets with Slaughter. It's a group of about seven, including some people from AID -- Ken Lanza, Michael Henning, perhaps some others. Also, Frank Wiebe from MCC. I'm included as well, the only person from F. I recall that Nazanin Ash participates. This is for topics that might flow from the PSD-7 exercise, from the QDDR, or from other discussions Slaughter might have with the Secretary and her staff.

So, in Fall 2009 I'm participating in two different informal groups concerned with development and foreign aid – the NSC economists' group and Slaughter's DDF group. We go over some of the same topics such as selectivity, sectoral focus, and graduation. The DDF group also discusses topics such as food security, poverty, pro-poor growth, and democracy.

At a certain point – probably late fall -- Slaughter explains that the Secretary is looking for some politically attractive uses for foreign aid — proposals that could draw budgetary support. This is quite a different question than what's the most sensible and strategic way

to manage foreign aid in pursuit of core goals. We learn that the Secretary plans to make a major speech on foreign aid. Meanwhile, by December we've seen plenty of papers from the PSD-7 exercise that indicate where the NSC study is coming out. But this is not a reference point for the discussions with Slaughter – at this point she's not asking what we think of NSC's work, or how to respond.

In early January 2010 Clinton makes a major speech at the Center for Global Development, her development speech. (Unfortunately, there's no longer a link to the speech on the CGD web site. I have a hard copy.) She makes the briefest of passing references to the PSD-7 exercise, and then proceeds to set forth her vision for foreign aid. She highlights several initiatives (health, food security); integrating development and diplomacy (by which I think she means integrating foreign aid and diplomacy); and State's role in coordinating the efforts of various agencies. She also welcomes the new USAID Administrator, Raj Shah, as well as other State leads including Lew, Slaughter, and Maria Otero.

I believe this speech caught the NSC staff by complete surprise. A subsequent meeting of the DDF was to discuss how to “implement” the speech, though we didn't get far on this topic. Meanwhile, Larry Garber (now in AID) asked me what I thought. I wrote an extensive response, to the effect that the Clinton speech and the NSC papers represented two starkly different views of how to manage foreign aid and pursue development progress. I also noted the sharp contrast in the ‘policy processes’ that had led to these two very different views – one essentially analytical, structured, and transparent in terms of papers and meetings; and the other (as far as I can tell) policy by speech writing.

*Q: So, is there a collision?*

In early February NSC staff issued their [draft White Paper](#), with findings and recommendations. The five goals are a little watered down. Instead of transformational development, the lead goal is couched in terms of growth and governance. The goal for strategic states speaks of raising the profile of development in those countries. In other respects, it says more than I might have imagined or hoped for, particularly about tools. Among the recommendations is creation of a *dedicated development policy capability* with the mandate to do long-term thinking, develop strategies, and produce regular “white papers” on development policy issues. It also calls for a National Development Strategy. It emphasizes field-based strategies and programs that respond to country-specific needs and opportunities. And it calls for a new account structure aligned with goals, so that policy will drive budget and not the converse. Check it out!

The paper is to be discussed at a Deputies meeting on March 1. Since the ultimate NSC product is a study, this is not a decision-making meeting but rather a meeting to identify common ground and outstanding issues, which can be reported as part of the study. In the meantime, with this paper the NSC staff has clearly outlined the approach they think makes the most sense – five core goals, distinct resources for each goal, budgets driven by policy and strategy, and so forth. Among these goals, the first two (growth and governance, and global public goods) merit top (and strongly increased) priority. They

are interested in whether other agencies will support the findings and recommendations. I know that for AID, as recently as mid-December there was strong support at the staff level for the NSC's approach. It remains to be seen where agencies will come out at the March meeting.

*Q: When you say agencies for—you mean within USAID, USTR?*

CROSSWELL: Yes, around fifteen agencies have been participating all along including MCC, Treasury and OMB. Within State the Economics Bureau, the Policy Planning Office, and F have been involved. Meanwhile, Steve Radelet has come on board as a senior advisor to the Secretary. (Despite State's increased responsibilities for development resulting from the 2006 aid reform, it took until January 2010 for State to bring in a person with recognized development expertise to help them manage their expanded mandate.) And, Raj Shah is now the AID Administrator.

The big meeting to discuss the paper takes place on March 1. Tom Donilon from NSC chairs. Lew represents State. Raj Shah (not a Deputy?) is there. The meeting is limited to the subset of agencies that are most directly concerned, perhaps fewer than ten. Other agencies will meet the next day to discuss the draft.

*Q: Is Lew the Undersecretary for Resources?*

CROSSWELL: I can't recall his title at this point, but he is overseeing F. The dual hat has disappeared.

I have a little bit of the paper trail for that meeting. The initial version of the briefing memo drafted by EB and S/P staff is broadly supportive and favorable towards the NSC White Paper. It endorses the five goals. At the same time, it expresses strong reservations about the proposed distinction between development resources and ESF, the so-called "ringfencing" of development resources so that they can be allocated based on development criteria, to maximize development impact.

However, a later (though perhaps not final) version of the briefing memo -- reflecting senior staff input from S/P and the Secretary's office -- is much more critical. It challenges the heavy emphasis on growth and governance in the first goal. There should be more emphasis on increasing opportunities for individual citizens through health, education, and women's empowerment. It also challenges the basic distinction between foreign policy goals and development goals. Finally, it strongly resists the emphasis on selectivity and focus in allocating development resources across countries. The briefing paper indicates arguments that Raj Shah's comments are expected to reinforce; and other points where Shah will take the lead and Lew should support.

I also have a two-page note reporting on the meeting, I believe from State/EB. The note mentions strong support for the paper among many participants including (but not limited to) MCC, USTR, USUN, and OMB. Treasury endorsed the emphasis on economic

growth. Questions and concerns were raised by Lew and Shah, with some support from Defense and the Joint Chiefs.

*Q: What did Shah want?*

CROSSWELL: According to the summary, Shah was basically supportive of State's arguments. Towards the end he suggested focusing on four sets of countries – not only good policy performers but also human needs priority countries (particularly for the food security and global health initiatives); security priority countries; and “low-burn” countries where we should have a limited engagement.

The NSC paper did not (yet) deal with organizational issues. However, it seemed to me that the NSC staff was perfectly prepared to not only recapture lost ground for AID, but also to elevate AID's role beyond what it had been prior to the reform – both autonomy and policy leadership. They were calling for a very ambitious development strategy and a major ongoing development policy function. That could readily have been assigned to AID, particularly if AID demonstrated understanding and support for the NSC's proposed approach. I pictured a restoration of PPC. But, for whatever reason AID did not rise to the occasion and embrace the NSC vision. That certainly seems like a lost opportunity.

*Q: So meanwhile you're still in this combined role between F and Policy Planning with Tish and so on, but all this is going on around you. Meanwhile, the agency is supposedly delivering its programs around the world and—*

CROSSWELL: Well, the budget process is going on and in particular—I'm glad you asked—the food security initiative is off and running. There's also now a climate change initiative, and there's the global health initiative. So, even in the midst of the PSD-7 exercise it looks like business as usual where the budget is concerned – policy by initiative. At a certain point – perhaps after the CGD speech -- I had mentioned to NSC staff that a key player in all this is OMB. OMB decides what the criteria are for getting a budget, what they are going to look for, by what rules they will judge and evaluate budgetary proposals. I don't know whether the NSC and OMB ever got on the same page on this or not. At some point in 2010 Lew becomes head of OMB.

After the March 1 meeting there are a series of meetings called by NSC to discuss upcoming external activities (MDGs, G-8), ‘architecture’ (i.e. organizational issues), etc. There are signals of the President's strong support for this exercise and strong interest in wrapping it up. On the organizational side there's now the clear intention to strengthen and enhance the role and capacity of AID. There's discussion of a U.S. Global Development Strategy.

*Q: So, apart from the PSD-7 exercise there's action on the policy front?*

Yes, some. But on the MDG's there's a clear contrast between Gayle Smith's position that the MDGs are NOT a development strategy that should drive the budget, and Raj Shah's contention that we should have a plan for achieving the MDGs, identify gaps (as

GHI does) and then invest accordingly. In retrospect, this contrast is fundamental, and explains a great deal of what follows. Those were two very different mindsets.

After the end of March there's not much action in the PSD-7 arena that I'm aware of. This has risen way above my pay grade. There are nearly six months during which I understand that some fierce battles were waged. But I'm not informed about what went on.

In May 2010 the [National Security Strategy](#) is issued by the NSC. Development is emphasized early on, including the intention to pursue a development budget that reflects our policies and strategies, and not sectoral earmarks. The body of the strategy is organized under the rubrics of security, prosperity, and values. The five goals of the NSC White Paper find their places under these headings. The *security* discussion references *post-conflict transitions* and *engaging with strategic allies*. The *prosperity* discussion highlights 'sustainable development' and indicates that we will increase our investment in development. With these resources we will invest in the *foundations of long-term development* and exercise leadership on *global public goods* (including climate change) – the two lead goals in the PSD-7 exercise. Under *values* we find “meeting basic human needs”. It is in this section that the food security and global health initiatives are highlighted, along with humanitarian assistance. Apparently, the food security initiative is not seen as a major contributor to transformational development. The values discussion also emphasizes democracy and human rights.

At the same time, there's activity directed towards eventually *implementing* the forthcoming presidential policy, including the QDDR and in AID. One topic discussed in various settings throughout 2010 was the idea of sectoral focus. I think the idea came from CGD, the DAC, and others – that donors should specialize in areas where they have a “comparative advantage” and not try to do everything. Even the NSC staff was big on this.

I argued that in a context of one goal (say transformational development), the idea might make sense. We can recall the “functional accounts” for health, education, and agriculture. However, at this point “comparative advantage” was likely to be determined by “political attractiveness” and not capabilities, expertise, or importance for development.

Further, whatever the merits with only one goal, the recommendation made no sense within a framework of additional core goals and other concerns -- for fragility, strategic states, transition from communism, global environmental issues, etc. For such goals we would not likely seek or expect to focus on the same few sectors as for development. This is one of many examples where think tanks, the DAC, and others make the false assumption that aid is only about development and then draw conclusions that don't fit a more complex, multi-faceted agenda for foreign aid. Indeed, CGD was about to come out with its first Quality of ODA ratings of donor performance, which made just that mistake.

One implementation activity for the forthcoming presidential policy, in retrospect, boded ill. It started out innocently enough as a discussion of selectivity. This morphed into “enhanced engagement” and then “Partnerships for Growth”, which eventually took the form of an initiative (with no new resources) focused on four countries.

Another worrisome effort was the [U.S. Strategy for Meeting the MDGs](#), which appeared in September 2010. I had attended several meetings on the MDG’s, and I believe AID played the lead role in producing this paper. After a nod to the forthcoming Presidential Policy, there followed a whole-hearted embrace of the MDGs. The paper waffled between viewing the MDGs as a framework for programming and viewing the MDGs as the outcome of broader development efforts. It highlighted the contributions of the food security and global health initiatives, and other directives. Economic growth was described as important for *sustaining* progress on the MDGs. The role of growth in achieving the MDGs, particularly the poverty target, was not recognized. Neither the process and nor the product boded well for policy based on evidence and analysis.

## **THE OBAMA ADMINISTRATION – POLICY, 2010-2012**

On the positive side a new policy group was forming in AID. With my participation in the PSD-7 exercise I had worn out my welcome in F, though I continued to produce analytical work to support F efforts. During the summer I seemed to have one foot in F and one foot in AID. There was a revival of interest in policy issues, quite a change from the last years of the Bush Administration.

*Q: We’re now around August 2010.*

CROSSWELL: Yes, and it’s a very interesting time. In AID – anticipating the Presidential Policy – work has started on the forthcoming DAC Peer Review of the US, and on an AID White Paper. By September or so there is a new bureau (Policy, Planning and Learning, or PPL). It’s the successor to PPC. It is headed not by a political appointee but rather by a senior foreign service officer, Susan Reichle. She has experience working in Russia and Colombia – major, high-profile programs where State has a large say. The head of the Policy Office is a wonderfully talented political appointee, Leo Martinez-Diaz. He’s a bright, young, well-trained economist with IMF experience – extremely hard working, a great manager, technically strong, and with superb people skills and outreach skills. I had worked with him on various issues during the summer and we got along very well. I officially join the Policy office in September 2010. There are a few familiar faces – Tish Butler is part of the policy office, also Melissa Brown. Larry Garber is one of the Deputy Assistant Administrators in PPL, but he does not oversee the policy office. (Unfortunately, he is dispatched to Sudan on a special assignment just as more significant policy work is getting underway.)

We are eagerly anticipating the Presidential Policy. We have seen the NSC White Paper and the National Security Strategy, so we have an idea what it will look like, at least where goals are concerned. So, we are working on an AID White Paper – a paper that

will build on and flesh out and help implement the presidential policy when it eventually comes out.

The [Presidential Policy Directive \(PPD-6\)](#) is issued on September 22, 2010. What is quite strange is that it had highly restricted distribution – even numbered copies. (As you can see from the link, it is eventually made publicly available based on a Freedom of Information Act request.) We in the policy office are “allowed” to see it soon after release – we apparently have a “need to know”. What is made public is a [Fact Sheet](#). The Policy is a somewhat diluted version of the NSC White Paper, presumably reflecting compromises and accommodations with State.

*Q: So the Secretary of State is on board?*

CROSSWELL: Apparently so. But the crucial question is -- how will it be implemented? The QDDR is ongoing. There’s recognition that it should follow and reflect the Presidential policy.

While the policy is somewhat diluted, there is plenty to build on. It criticizes the plethora of objectives (40) and directives (400), the result of policy driven by the budget process. Instead, the policy challenge is to identify distinct policy objectives, prioritize among them, and align resources and attention accordingly. The five core objectives are still intact, though with some fuzzy language.

Two factors are especially important in my view.

First, the presidential policy contains a section on organization – “A Modern Architecture”. After a nod to the forthcoming QDDR, the strong emphasis is on reestablishing the U.S. as a global leader on international development. This long section is all about a long-term commitment to rebuild USAID as our lead development agency and the world’s premier development agency. It mentions six areas of focus, including robust policy, planning, and evaluation capabilities, and responsibility for crafting and implementing a core development and humanitarian assistance budget (within the comprehensive foreign assistance budget approved by the Secretary of State). The policy also commits to a quadrennial National Development Strategy. So, it envisions a major policy function and role for AID within the USG.

Second, those of us working on the evolving AID white paper know and understand what the presidential policy aimed to achieve. We have the earlier work by the NSC including their White Paper. And, we have a good understanding of how all this is supposed to work from our experience in 2003-06 with the AID white paper and policy framework.

So, while the Presidential Policy was somewhat watered down, it seemed to me that AID was in a very strong position to recapture lost ground and move it forward, presumably with full support from the NSC.



During this time (August to October) I'm working on the [U.S. submission for the DAC Peer Review](#). I mention this mainly because the submission depicts where we were and where we might have headed with the Presidential Policy. This follows an outline (and a long list of questions) specified by the DAC, with the first two chapters on Strategic Orientation and on Policy Coherence. A contractor, Jack Hawkins, had been hired to oversee this exercise and he asked me for some language for the first chapter. I worked well with Jack and my role gradually increased. I rewrote the first chapter. Later, when all six chapters had been assembled, the resulting product was somewhat disjointed and incoherent. At Jack's request I ended up editing the entire document, including rewriting the second chapter. The appearance of PPD-6 was just in time. The submission was issued in mid-October.

At the same time, Leo and his team (including me) are working on the AID White Paper. We are adhering very closely to the PPD, particularly the five goals. We are aiming to move the PPD forward. Leo has the pen. By the end of September, we have a detailed annotated outline structured around the five goals with sections assigned to various team members.

Then, on October 26 comes an email from Leo (sent at 2 am!) to the working group, with a new, quite different outline responding to guidance from the Administrator. As Leo puts it, "We are stepping away from detailed PPD interpretation and implementation, both of which are now taking place through other vehicles, and we are focusing more on objectives, targets, and methods in view of history and megatrends."

*Q: So what did you do? Why did you stay on then five years before you retired?*

CROSSWELL: Well, at about this time I hear from Ross, the Tea Party guy I met in North Dakota who was walking to DC to protest the conduct of government and politics. He has finally made it to DC (after taking a few breaks along the way). We spontaneously invite him to stay with us. So, am I going to tell him I'm giving up in defeat?

More seriously --

Over the next five years I had recurring thoughts about retirement – I was well into my 60s so it wouldn't have been unusual. It was good to have that option at discouraging points such as this. On the other hand, I had been a late starter from the standpoint of my career, marriage, and children. In 2010 my son was starting college, and my daughter was in high school. I was healthy, my energy level was good, I was biking back and forth to work. And, the past year had been a peak experience from the standpoint of work -- very intense and stimulating and exhilarating and rewarding. I couldn't imagine finding that was as rewarding as work at AID had been.

Second, I was concerned about the policy function in AID. The role and "culture" of the Policy office were still evolving. The policy staff mainly comprised advocates for one or another special concern and inter-agency experts. There wasn't much of an orientation

towards policy based on evidence, analysis, and lessons learned. More generally PPL was operating as if there had never been a PPC – as if this was a new and unprecedented set of responsibilities and functions. So, I felt some obligation to represent how the policy function ought to be discharged – especially with Larry Garber away for a while but due to return. I saw Leo as a strong ally in this, but somewhat constrained by the Administrator’s orientation and (Gates) foundation background. Foundations do good things, but with voluntary contributions from willing supporters. There’s a different set of obligations when you’re spending the taxpayers’ money.

Third, as you can see in this narrative there had been a lot of ups and downs in my career. This was certainly one of the downs. But the narrative is also one of unforeseen opportunities and breakthroughs, and new people coming on the scene as game changers. So, I did not lose hope. And, it’s a matter of faith that sooner or later the truth will come out. If you ignore evidence and analysis, you build problems and inconsistencies into your policy work. These problems will resurface down the line as you try to implement the policy – they don’t go away. So, for better or worse these things are never over.

*Q: So is that what happened in this case?*

CROSSWELL: What happens in this case is instructive. Leo and the team (including me) forge ahead with the White Paper over the next year. He is apparently working closely with the Administrator. There are some indications from Leo early on (December 2010) that this is not actually a policy or strategy, but rather something of a “stump speech”, for Congress and other external audiences. Shah’s choice rather than Leo’s. A December draft has six goals. The first three correspond to the three major initiatives –Food security, global health, and climate change. The other three pertain to broad-based growth, democratic governance (including addressing fragility), and complex emergencies/humanitarian aid. So, we are pretty far away from the PPD framework of goals. And, the initiatives are front and center.

*Q: So Raj Shah was championing various initiatives?*

CROSSWELL:

Yes, and that continues as we’ll see. The whole PSD-7 debate was pretty much a battle between strategic management towards a set of broad, distinct core goals and policy driven by the budget process, particularly major initiatives. Shah was squarely in the latter camp, as was State. He seemed to be very much in synch with Clintonian approaches – find politically attractive uses for foreign aid. At some point during 2011 in a brief conversation I had the chance to ask one of the NSC staff “what happened?”. He explained that in the end they just couldn’t get around the initiatives. That could have been a statement about resources (no additional money for core goals); or about how to approach policy; or both.

So, Leo pushes the paper along. The term “White Paper” gradually falls by the wayside. At one point it’s a global development strategy. Finally, the [USAID Policy Framework](#)

[2011-2015](#) emerges in September 2011, a year after the PPD. It reads very well --Leo is a wonderful writer. We now have seven goals – those mentioned above as well as a separate goal for fragility and conflict. Education is included with economic growth, but eventually becomes an eighth goal.

However, these are hardly distinct goals. The goals for food security and economic growth overlap. The democratic governance goal aims to address both economic governance and fragility. So, there are some basic problems of policy coherence. Some of the goals are funded with dedicated resources (particularly the three initiatives; also, education) while others are not.

The most striking development is that Leo announces in July 2011 that he will leave AID to go work in Treasury as soon as the paper is finalized. So, the leader and champion of this whole effort is not going to be around to help implement it. What are we to make of that? There's a sense that with the paper finished, the job has been done.

*Q: Did Raj make a speech about it?*

CROSSWELL: I expect he made many speeches about it. Indeed, how to go about “rollout” became a major topic as the paper was being finalized. I had not heard of policies or strategies being “rolled out”. It seemed to imply that the primary audience was external, for public relations purposes. In any case, Leo was departing and looking for someone who could oversee the rollout. I ducked. That seemed like a strange job for a policy analyst, and I sure didn't have a sense of ownership where the Policy Framework was concerned. I would have had a hard time explaining and defending it.

While the paper was getting produced during 2011 other things were happening that bear on the policy function. To his great credit, Leo set up a detailed, well-designed process for establishing a policy agenda. It was very systematic – establish an explicit set of criteria and then allow any and all to make the case for a policy or strategy based on those criteria. Was there a clear need? How would it help in terms of aid effectiveness? What makes it a high priority? Could the need be addressed by something other than a policy or strategy? Excellent criteria!

Once a topic was selected a Policy Task Team (PTT) would be formed, co-chaired by a PPL person and a person from the (functional) bureau or office that would be most directly concerned with implementing the policy or strategy. Initially, only three or four proposals would be undertaken, the others would be considered “back burner”. The agenda would be revisited several times a year, and at most three or four topics could be added after each review.

About ten topics were originally submitted. I thought top priority should go to Democracy/Governance (DG) and Fragility. These corresponded to goals in the forthcoming policy framework, and both were topics with a lot of unsettled issues, where evidence and analysis should be brought to bear. In particular, the DG folks were mainly about D, and tended to argue that DG should be a component of most if not all assistance

programs, as a kind of cross-cutting concern. I thought that “youth” – a new, fashionable topic – should be addressed in a policy background paper that fleshed out the issues. It seemed like a cross-cutting theme.

Despite the excellent criteria, there was plenty of lobbying and advocacy going on. In the end four topics were approved for the first round -- gender, youth, economic growth, and donor engagement. The gender policy would promote gender equality and female empowerment in the 21<sup>st</sup> century. The youth policy would complement State’s framework on youth engagement, currently in progress. The third topic was economic growth. That was not on the original list of candidates, and I’m uncertain who suggested it. The approval memo for the first round of policies indicated that a new EG strategy should ‘build on the 2008 strategy; engage other elements of the Agency outside EGAT on what should be an Agency-wide priority; and provide an opportunity for the Agency’s new Chief Economist, Steve Radelet, to contribute to a new vision.’ (Steve arrived in early 2011.)

There was simultaneously a major focus on country assistance strategies. But it was a hard thing to talk sensibly about, because country programs were already budget driven. Leaving aside ESF, flexible resources were scarce. The budgets coming to missions were for fairly specific purposes, so the idea of a country assistance strategy seemed artificial or hypothetical.

*Q: So it was more top-down on the priorities.*

CROSSWELL: Yes, but – as far as I could tell -- with a pretense of bottom-up strategies that were happily embodying those priorities. But I would defer to Terry Brown and others on this, I was not very involved in this exercise.

*Q: And were you focused more on economic growth?*

CROSSWELL: Yes. And that’s a story that sheds further light on the evolution of the policy function. The policy agenda comes out in March 2011. I don’t recall seeing a written proposal for an EG strategy – a paper which would have had to explain and justify the undertaking. In any case I’m not clear on the rationale, other than that it’s one of the six or seven objectives in the draft policy framework.

But, that’s not a problem for me because I think it was envisioned that Leo would be in the lead, since the White Paper was by now well along. In April 2011 I hear discussions about putting deal-making at the center of the new strategy. Later, my colleagues in the economic growth bureau (EGAT) indicate that major strategic themes emphasized by the Administrator include entrepreneurs, technology, and green growth. I hear nothing about policies and institutions.

By July Leo has announced that he will depart from AID and he does so in September. I don’t recall much if any progress on the EG strategy prior to Leo’s departure. In any case, I become the co-chair for the Policy Task Team (PTT) along with Gary Linden in EGAT.

There are echoes of my experience writing the public enterprise paper when John Bolton headed PPC in the early 1980s -- a sense that I am out of step with the expected main messages. I will need to rely again on a process that emphasizes evidence and analysis.

Fortunately -- thanks to Leo's careful design of the general process -- the first step is to produce a satisfactory terms of reference (TOR) for the EG strategy. I learned a lot from the trade policy exercise in the early '90s, and from our more recent work on the EG strategy ultimately completed in 2008. In both exercises, we started with a set of questions or outstanding issues, stated in ways that did not prejudge the issue. We then produced and discussed a background paper for each question. If we agreed on the main messages flowing from the background papers, then from there it was an easy step to the final product.

At the same time, we learn that Raj is planning a major speech on economic growth. That effort was going on somewhere outside PPL. Steve Radelet is now the chief economist, but I'm not certain of his role and involvement in that speech. Perhaps senior staff in EGAT were involved. I didn't know anyone at the office director level that was working on it. I'm not sure if Leo had a role before he departed.

Indeed, one of the problems with policy by speech-making is that the process is often or even typically opaque. All we see is the final product. We see no underlying identification and analysis of issues, or other foundational work. Earlier (June?) Shah had delivered a speech on democracy that caught Leo and the policy office by surprise. It included -- in Leo's words -- some "bombshells".

In October 2011 Shah delivers a speech on "Embracing Enlightened Capitalism". It discusses the goal of broad-based economic growth but ends up being a speech on public-private partnerships. Shades of the U.S. business development initiative from the late '80s. At this point my career is just filled with echoes--this is familiar, we've been here before. [Laughs] It becomes clear that this technical group (Gary and I) aiming to scope out an evidence-based analytical approach to growth is in a completely different place from the Administrator, who is looking for politically appealing activities connected to economic growth.

*Q: My impression also was that the amount of funding focused on economic growth was quite limited, so you didn't have a lot of people working on it, not a lot of money associated with these programs. Is that right?*

CROSSWELL: Pretty much. Leo and I had written a paper for the NSC the previous December on Elevating Broad-based Economic Growth -- as follow-up to the Presidential Policy. It made the point that overall funding classified as "economic growth" was ample -- about \$4.8 billion in 2010. However, two-thirds of that was Economic Support Funds. That funding was flexible (subject to foreign policy constraints). But by and large ESF did not go to the "right countries" -- low-income good performers. Instead it went to fragile states, other weak performers, and a few middle-income countries. The remaining third was Development Assistance. That tended to go to the right countries. But the

funding was for initiatives, earmarks and directives. So, within countries it could not be allocated to the most important priorities for broad-based growth. So, there was little if any funding for economic growth that could be allocated both across countries and within countries based on effectiveness criteria.

In various drafts of the TOR we became very explicit about the difficult budgetary parameters for the exercise. (Thank goodness for the requirement for an agreed, satisfactory TOR.) So, we decided that the product would be a “strategic framework” for economic growth that would highlight various tools and approaches. One welcome new tool that Steve Radelet had encouraged the economists to look at was “constraints analysis” (also known as “growth diagnostics”.) However, that analysis presumed flexibility to go where the analysis pointed. Other tools and approaches to be examined included private sector partnerships, enterprise funds, and other forms of direct support for the private sector.

*Q: When you were developing this effort to really explain, or to have a policy on economic growth were you working with regional bureau economists? I mean this was not just you and your colleague in Camera, right?*

CROSSWELL: As far as the TOR went it was Gary and I working with our senior leadership to try to come to agreement on the parameters of the exercise. Eventually there was to be a Policy Task Team (PTT). In this case there seemed to be a lot of bureaucratic politics around the composition of the team. We felt pressures to include folks (and interests) from other central bureaus and offices, for instance DG. So, our approach was to reach agreement on the set of tasks that would be involved – particularly the issues papers and background papers -- and then put together the kind of team that could best deliver. It was not to be a forum for negotiation among interested central bureaus, but rather a forum for analysis.

Also, I had been centrally involved in the 1994 Strategic Guidelines for EG, and in the 2008 EG Strategy. The regional bureau economists were heavily involved in both exercises, and all went smoothly. And, Gary had recently been working in the field. So, I had some confidence we could come up with a TOR that regional bureau economists would consider sensible. If not, we could make some adjustments along the way, and take up additional issues as needed.

*Q: Were there actually senior economists in the bureaus? Were they doing what you would describe as economic work, or were they doing other things?*

CROSSWELL: That’s an important point. The Natsios reorganization had concentrated technical staff in central operational bureaus, including economists in EGAT. So, I think by 2011, economics staffing in the regional bureaus was sparse. Africa had a couple of economists, including Jerry Wolgin who had returned to AID from the Bank. He would certainly have been invited to participate. But it wasn’t the setting we had before, where each regional bureau has a chief economist with three to five staff economists.

In any case, to finish off the EG strategy story, we go through various iterations of the EG Strategy TOR. By now (late 2011) Steve Feldstein – who had worked on Senator Kerry’s staff on the Hill – has replaced Leo as head of the Policy Office. He is helpful in getting to a TOR that seems agreeable to everyone, and which fits with the constrained budgetary situation. The strategy will discuss the challenge of broad-based economic growth, the empirical record, and lessons learned; and then will focus on tools and approaches. And -- unlike any of the other PTT’s – the exercise will generate a set of analytical background papers on key issues. These will be useful products in their own right.

We get to what seems like a final meeting (in February 2012) -- one that will launch the exercise. This includes Steve, Gary and me – we’ve been working on this all along. It also includes Mary Ott – a DAA in EGAT, an accomplished senior foreign service economist, and a long-standing colleague. I’m not sure how much she and Gary had communicated. After some discussion, Mary expresses basic discomfort with the TOR -- this effort is not likely to fit well with what Raj is looking for, especially in view of his speech and his expressed interest in partnerships.

That’s a sort of stunning “stop sign”. My understanding was that the EGAT AA, Eric Postel, was not only on board with this, but very eager for it to happen. However, Mary’s judgment was accurate. The next day Eric sends a message suggesting that we hold off and instead do an evidence summit on “private sector deals”. We all accept that idea as a graceful exit maneuver. Later, after some exploration and discussion of who might oversee such an evidence summit, we wisely drop the idea.

*Q: What about the policy function more generally. Was the policy process in AID working as envisioned by the Presidential Policy?*

CROSSWELL: That was quite a struggle. One of the downsides of dropping the EG strategy is that it would have generated background papers on policy issues – the kind of policy analysis that was not otherwise getting done by the Policy Task Teams. We are producing some policies and strategies, but not much in the way of policy analysis.

Before Leo left, he had suggested initiating a series of Policy Briefs. I thought this was a great idea. But, in my experience it only works if there is active demand and interest in such analysis on the part of AID policy makers. Such efforts need to be closely connected to the basic work of the bureau, and not seen as an extracurricular activity. So far, such interest was scant among PPL leadership.

A fortunate exception was Larry Garber. He had been assigned the task of looking into creation of a National Institute of Development (NID). He posed some very thoughtful questions about the role of science and technology in development and growth. That role had been way overstated and misstated by proponents of the NID. So, Larry’s questions provided a good opportunity to bring evidence and analysis to bear. We pointed out the much more critical role of institutions. It was institutions and the policies they generate that determine the extent to which countries actually took advantage of advances in

science and technology. In the end, the outcome was the more modest, aptly named Development Lab.

At around the same time, we decided to set up a web site for PPL, including a “page” for each office. I happily volunteered to help -- this could be an outlet for analytical papers. So, for the Policy Office we had a page for current policies and strategies, and a page for ‘policy analysis and background papers.’ This latter page was organized into some twelve topics. Our office wasn’t currently producing such papers, but it was an opportunity to post around 75 relevant papers, including papers from the Bank, CGD, etc. and some papers that had been produced in PPC and in F. So, it depicted a policy office that was aware of the literature and had a record of producing analytical work.

Finally, one of Leo’s parting gifts was that he hired Jake Grover, a young, well-trained policy analyst who was eager to stimulate analytical work on policy issues. Jake took the initiative to launch an internal web site called the Policy Post. And, he invited me to start a sort of blog. We agreed to call it “The Senior Economist” (i.e. the old guy). I did papers (3-12 pages) on topics such as [AID Policy Leadership](#) (over the years); [Graduation, Selectivity and Focus](#); [The USG Approach to Inclusive Growth](#); and the [PPD and the MDGs](#). These were among fifteen Senior Economist essays I wrote during 2012. The papers mainly aimed to clarify misconceptions or muddled discussions of policy issues. With all the lobbying and careless or misinformed claims, there was no shortage of good topics.

So, the good news is that there was some stimulus and activity where policy analysis was concerned. The bad news is that there was at best limited interest from senior leadership other than Larry. To the extent they were interested in policy issues they seemed to be looking outside AID and AID’s policy office for thinking and ideas.

## **THE OBAMA ADMINISTRATION – POLICY, 2012-2016**

*Q: Did any of this change with the second administration? I mean Raj continued through much of the of the Obama administration, the second one too—so was that a kind of a smooth transition in that you didn't have a change of administration.*

CROSSWELL: There was continuity in leadership and discontinuity in policy.

To lay the groundwork – The PPD appeared in September 2010. Since September 2011 we’ve been operating under the USAID Policy Framework 2011-2015 – seen as a separate policy effort. Meanwhile, the end-point for the MDG’s is 2015, and the UN is thinking about the next round of development goals, the Sustainable Development Goals (SDGs). There’s a distinguished panel (sometimes referred to as the Experts Panel or High-Level Panel) to oversee preparation of a report – an effort led by Homi Kharas. There are some 27 members of the experts’ panel, each from a different country.



You would be more familiar with these names than I am. I notice that France is represented by Jean-Michel Severino, who was a co-author of the insightful [CGD paper](#) (mentioned earlier) that had a big influence on the PSD-7 exercise. In contrast, the U.S. is represented by John Podesta, a well-established U.S. political expert (according to Wikipedia) and senior White House aide under Clinton, with no apparent background in development.

The Panel's [report](#) appears in May 2013 and serves as the basis for discussion of the SDGs. However, work on the report is underway in 2012, as are discussions about the SDGs in AID and elsewhere.

In November 2012 – shortly before his departure -- Steve Radelet tries to put things on an analytical footing by initiating a set of meetings, based on a series of papers that examine the case for a potential goal/target. I lead off with a paper on a possible goal for economic growth. The paper posits some general criteria for considering a potential goal. It should be critically important for development progress, and it should represent an important U.S. development policy priority. The empirical foundation for the goal should be strong – solid, readily available data that will permit us to track progress, and which also provide a basis for appraising past performance, and thereby feasibility. There should be a track record. And – also important for feasibility – the track record should be one that yields solid findings and lessons learned on how the goal can be achieved. Expressed negatively, the goal should not simply be vague, fuzzy, and wildly aspirational. (e.g. “decent work for all”). The goal should be ambitious, but within the reach of individual countries. It should not be on its face infeasible for a large sub-set of countries, especially poor countries. I applied these criteria, referring to authoritative policy statements and other papers, and with the help of detailed tables. I suggested a per capita growth target of 3% as ambitious but feasible.

The next paper, by Don Sillers, deals with poverty reduction. He provides an expert analysis of performance and prospects by region, emphasizing the major challenges in Africa, where poverty is both widespread and deep. Projections for Africa put the prevalence of poverty at about 41% for 2015 and 35% for 2022 (based on projected per capita income growth at 2.8%). At that rate of reduction, poverty would be at about 23% by 2030. He proposes a target much like the current MDG – reduce the prevalence of poverty by 50% over the next twenty-five years. That's a target that can be applied both globally and at the country level. He emphasizes the difficulty of reducing the prevalence (i.e. share of the total population) of poverty when incomes of the poor are far below the poverty line. (Later, there emerges a much better indicator of poverty reduction that takes depth of poverty into account.)

So, these papers indicate how discussions of the SDGs could have been conducted, at least within AID and the USG. Unfortunately, this process peters out as Radelet departs. It becomes clear that the U.S. (and UN) approach to the SDGs will be much more political and diplomatic than analytical, with an emphasis on negotiation and probably some horse-trading.

Obama is re-elected in November 2012. Within a matter of weeks, a brief paper and tasker comes to the policy office. The paper (4 pp.) proposes an ambitious Presidential initiative for the second administration.

Do you want to guess?

*Q: Relying on you.*

CROSSWELL: It is entitled “Presidential Initiative to End Extreme Poverty”.

*Q: This is a UN thing.*

CROSSWELL: Yes. More specifically ending extreme poverty is emerging as the lead goal in the report of the High-Level Panel, which will appear in a matter of months. There is no indication of authorship for the proposed Presidential initiative. It sounds highly political, both in content and tone – the work of one or more senior political people. Ending extreme poverty within a generation is repeatedly billed as the humanitarian equivalent of “putting a man on the moon”. It will be a “powerful and lasting legacy” for Obama. It will involve the entire administration, a new political coalition (considerable detail here), and the international community. It will institutionalize proven approaches, mirroring the President’s Policy Directive on Global Development. And, it will emphasize science, technology, and innovation, including by launching a National Institute for Development. Where resources are concerned, “We will deliver this initiative within our existing budget resources.”

This short paper is attached to a tasker for the Policy Office. We’re to put some flesh on the proposed initiative, in the form of a short (5 pp.) data-driven actionable paper that Shah can take to higher levels.

My guess is that Shah drafted this proposal, but it’s not clear.

*Q: So, you’re back to your earlier papers.*

CROSSWELL: Well, in some respects it’s “de ja vu all over again” – poverty reduction as a central goal. This is where I came in (1977).

In other respects – the policy process – it is a completely different show from 1977. And that gets to your question about continuity in the second administration.

The note makes explicit that there are no new budgetary resources for this initiative. And, we know that the current budget is fully committed to current initiatives, earmarks, directives, and to foreign policy priority countries. Further, this is a sharp departure from the PPD and the USAID Policy Framework. These documents hardly mention poverty and then only in the context of making the case for an emphasis on broad-based growth as the only sustainable way to reduce poverty.

So, despite the reference to the President's Policy Directive, it's quite a sudden and radical departure from current policy -- and with no budgetary resources behind it. It seems to have been "pulled out of the political air" to use a phrase from the 1991 policy task force report. It will consume PPL and much of the Agency for the next three years or so.

And, the crucial point is that the Administrator is not turning to his policy staff and saying, "tell me what you think of this and whether it makes sense, based on your experience, knowledge and expertise". He's saying, "make it happen". The role of the policy office is to implement policy that seems to emanate from elsewhere, and not to analyze or develop policy as we have traditionally done.

*Q: Was it reflected in the mission statement of AID?*

CROSSWELL: Yes, in the mission statement exercise that is launched in May and concludes in December 2013.

As follow-up to the tasker, Aaron Roesch – a young, very talented policy analyst – produced a brief paper that apparently fulfilled our immediate obligations. (I can't locate the paper.) I wrote a paper on "contextual factors". I looked at performance and projections by region, as well as findings on the underlying factors. Levels of poverty were clearly linked to levels of per capita income; growth performance largely explained rates of poverty reduction; and policies and institutions (rather than science and technology) largely explained growth performance. Based on this I wrote a short note -- "Look Before You Leap" – that Steve Feldstein encouraged me to share with other Policy staff. It questioned the feasibility of the proposed target from the standpoint of the development record and lessons learned.

However, the only apparent feasibility check is a meeting involving Raj and some outside experts who had been working on projections, in the context of SDG discussions. They included Homi Kharas, Martin Ravallion, Steve Radelet, Lawrence Chandy, and James Foster. I attended and took some notes. They all agreed that with continuation of current trends (which they considered an optimistic assumption), by 2030 you could get the absolute number of extremely poor down to a low share of the global population – perhaps three to six per cent. But there was a large group of countries for which that target was clearly if not wildly infeasible. They suggested better ways to couch a poverty target. Raj was undeterred. He and other proponents of the target seemed to be arguing that current trends weren't relevant. In keeping with the "putting a man on the moon" comparison, this would be an unprecedented undertaking involving completely new tools and approaches. It was just a matter of figuring it out.

*Q: Did you think that?*

CROSSWELL: No. I was writing notes and comments right from the start pointing out the empirical record, and the relevance of that record. But it was hard to have a clear debate or discussion. There was the same ambiguity that we dealt with if you remember

Paul Streeten and his view of the basic needs approach. He argued that you couldn't just pursue broad-based growth and call it a strategy for basic needs. He likened that to putting old wine in new skins. He argued back then that we had the (international) resources to meet the basic needs of poor people, independent of and separate from more general development progress at the country level.

*Q: Sounds to me like age-old questions, it's the issue of complementarity, poverty reduction, growth. All those pieces that you have been dealing with for 40 years.*

CROSSWELL: Yes. But the context had changed. Compared with thirty or forty years ago, global income was much higher, particularly in the advanced countries. And – with a meager extreme poverty line -- the share of the global population that was poor was much lower, less than 20%. So, you could more readily argue that global poverty was a “micro” problem that could be addressed through international redistribution – as if the world was one big country.

But, for the most part proponents were not quite prepared to admit that this was international redistribution rather than growth oriented. Instead it was billed as a sort of “blue skies”, unprecedented undertaking. For the next two years most of the efforts were to generate enthusiasm and imaginative thinking about how the target would be achieved, including in fragile states.

*Q: Was this translated into programs and activities that AID staff in the field could implement?*

CROSSWELL: Well at first it was simply getting people – including the field -- motivated and enthusiastic and thinking, “Okay so how are we going to do this?” It was consciousness raising. We didn't have the answer to the “how” questions yet, we just knew it was going to be different from what we've been doing. So, we had conferences, evidence summits, teleconferences, TED talks, and so forth. And remember – we have a fully committed budget with no new resources.

*Q: So there's a lot of interaction with other agencies, with the World Bank and Brookings and the development community?*

CROSSWELL: Yes. At some point Homi Kharas is back at Brookings. John Podesta's think tank, the Center for American Progress emerges as a sympathetic convener. The Center for Global Development produces some very good papers, especially one by Lant Pritchett and Charles Kenny about the MDGs and “[defining development down](#)”. They discussed two distinct views of development – essentially the distinction between transformational and redistributive development that was important for the PSD-7 White Paper. They argued that measuring development progress exclusively by low bar targets (such as the MDGs and the forthcoming SDGs) creates the illusion that specific targeted programs can be an adequate substitute for a broad national and global development agenda. That was a perfect description of the core issue surrounding the

extreme poverty target – an issue that was difficult to draw senior staff attention to in the big push on extreme poverty.

And, as always, the Bank was generating all sorts of good analysis and data including PovCalNet and a paper on country-specific projections. The author was kind enough to provide a spreadsheet that enabled us to make our own projections under different assumptions about growth rates. Later, Don Sillers picks up on all this and eventually puts together an incredible tool, a global “poverty projector” that takes the latest poverty data from the Bank and generates and aggregates poverty projections at the individual country level. It’s very user-friendly and he still updates it. More generally, the Bank’s data, analysis, and research continue to be immensely helpful as they were throughout my career. You could have a respectable, productive career as a policy analyst at AID just making sure that policy makers were aware of the analytical work coming out of the Bank and the implications for AID policy.

But, most of what is going on in AID in 2013 and 2014 are conferences, evidence summits, and other conversations that generate a fair amount of heat but not much light. There are communications with the field about how they can better address extreme poverty within the parameters of their ongoing programs. And, some teams are sent to specific countries to do “poverty diagnostics” -- why are poor people poor? For most countries, the answer was sitting right in front of us in a single indicator – per capita income. Most poor people were poor because they lived in a poor country. It’s not as if there was a prosperous mainstream that they could join with a little bit of help.

*Q: This is also a time when the local solutions policy was being resurrected?*

CROSSWELL: Well, there was a [Local Systems Policy](#) that appeared in April 2014. Tjip Walker led that effort. It was a good one that produced a solid paper. Early on he invited me to join the small working group. But I found that the topic and the associated literature were way beyond my ken. So, I bowed out. Speaking of Tjip, I’ll mention that the term “resilience” became very fashionable during these years. It eventually found its way into the Mission statement. We were both puzzled at a certain point because discussions of resilience seemed to ignore the critical roles of institutions and resources. It seemed to me that resilience was essentially a function of level of development. Chile and Haiti both experienced major earthquakes, but with stark differences in resilience. Confusion about the meaning and sources of resilience may have been related to confusion about the distinction between “big” and “small” development.

In any case the [Mission Statement](#) you asked about comes out at the end of 2013. “We partner to end extreme poverty and promote resilient democratic societies while advancing our security and prosperity.” I did not have much awareness of the process or substance of the exercise that produced this. Some felt it did not do justice to many of our core concerns, perhaps because resilience and democracy were associated with a fairly limited set of programs.

*Q: It doesn’t sound like a good time for economics and economic growth.*

While I was pretty discouraged about the policy function during this time, some good things were happening on the economics front. Growth diagnostics had become prominent. With encouragement from Steve Radelet, AID economists were trying to adapt that tool to incorporate considerations of inclusivity – “inclusive growth diagnostics”. The extreme poverty push gave this work some impetus and seemed to create an opportunity. There was still ambiguity about the role of inclusive growth in achieving the poverty target. John Podesta had written an OpEd emphasizing safety nets, but others continued to emphasize inclusive growth. In a setting where there was more rhetoric than analysis, we might have a concrete tool to offer that could identify constraints to poverty-reducing growth.

More generally, discussions of extreme poverty generated lots of issues and paper-writing opportunities. At the end of 2012 I had written a [conference paper on inclusive growth](#) at the request of our donor engagement office. I expanded that work, looking at the record on growth, poverty, and income distribution over various intervals; and the close relationship between the prevalence of poverty and per capita income across countries. All of this provided the basis for presentations to MCC and to the AID Economists’ Conference. Also, Jerry Wolgin, Don Sillers, and I put together a “three-act” presentation that we made to several regional bureaus in AID.

Discussions of poverty in *middle-income countries* prompted a paper on the need to be much more careful and thoughtful about what we meant by “middle-income”. The Bank’s threshold for Middle-Income was arguably too low to justify the sorts of conclusions and implications drawn by Andy Sumner and others.

This was even more true for “fragile states”. There was lots of discussion about reducing poverty in fragile states. This provided stimulus to point out the quite wide variation in approaches to defining fragility and identifying fragile states; and the issue whether addressing fragility was a precondition for progress or not. It was hard to pin people down on this issue. I kept working on fragility for the next five years, even after retirement.

And you might be interested to hear that at a PPL retreat in 2013, I mentioned in passing that this was not the first time AID had poverty reduction as an overarching goal. This aroused some interest. I quickly wrote a short [paper](#) that told that story and gently made some pointed comparisons between then and now.

So, all this is to convey that the extreme poverty push proceeded at different levels and in different venues. The front office and much of PPL were engaged in public events and discussions. Meanwhile the staff – including some in PPL and economists elsewhere in AID – recognized issues and took the opportunity to do analytical work in hopes it would eventually come to the fore.

Meanwhile, a new Chief Economist arrives in early 2014 – Steve O’Connell. He was not a political appointee, but rather on leave from Swarthmore. He had been hired by and sat

in EGAT rather than the Administrator's office. So, he was less connected to the Administrator and more connected to the career staff. He had a huge positive impact on the economics community at AID. For one thing, we had gotten a little bogged down on the inclusive growth diagnostics – just trying to work out the issues among ourselves. He helped us get to the finish line on that effort. More generally he stimulated papers and presentations and provided outstanding leadership and even some teaching for the economists.

*Q: Right, he was terrific.*

CROSSWELL: Yeah, he was just wonderful. So that's one reason you stick around, because you never know who's going to come in and be a wonderful presence and stimulate good work.

*Q: So what's the result of all this activity around extreme poverty?*

It's an amazing story. Towards the end of 2014 -- almost two years in and including lots of back and forth with the field -- the policy office and PPL finally recognize that we need to produce some sort of paper on how we see the challenge of ending extreme poverty and what role we're going to play. We've had lots of discussions and heard lots of quite different views.

There are four big challenges – the tension between a transfer approach and a developmental approach; no new or flexible budgetary resources; policy coherence in view of weak (at best) links to the PPD and the USAID Policy Framework 2011-15; and links to our existing portfolio.

So, we're to produce a vision statement for ending extreme poverty. Jake Grover is to lead this effort – a younger guy, very capable policy analyst, supportive of the goal, and eager to produce a solid, sensible product. Steve O'Connell is soon brought in as a co-chair for the effort. This makes a huge difference – it immediately raises the bar in terms of policy based on evidence and analysis.

The working group includes Aaron Roesch, Raquel Gomes and me from the Policy Office; Don Sillers from EGAT; and a couple of others from operational bureaus. We're grappling with the four major issues, particularly whether this is essentially a targeted effort aimed at those below the (very low) extreme poverty line -- \$1.25 per day -- or something bigger and broader. There's been plenty of discussion about those just above the extreme poverty line and therefore quite poor; and about other dimensions of poverty.

We hit on an approach that solves all of these problems! We take a multi-dimensional view of poverty. We decide to define extreme poverty not only in terms of income, but also in terms of deficits in access to essential services – health, education, water, sanitation, and other services provided by infrastructure networks. And even a lack of personal/physical security. In a way it's back to basic human needs – more than just income.

This has direct appeal to the operational bureau reps, whose programs now come into play. More generally and importantly, it makes clear that poverty reduction requires overall development progress at the country level. You might be able to transfer income or otherwise support livelihoods in a targeted way. But you can't get basic social services and basic infrastructure services to a billion or so poor people through targeted programs. You need to invest in economic and social infrastructure – in development at the national level.

That approach resolves the transfer/development progress debate; and also debates about the meager extreme poverty line. And it resolves the budgetary, programmatic and policy coherence problems. If the challenge of ending extreme poverty is multi-dimensional, then we are already doing a great deal within our current policy framework and budget. We'll continue to do so. So, we set off on that approach to the Vision Paper as we enter 2015.

*Q. How does the Administrator react to this approach? It certainly doesn't sound like the proposed initiative.*

Fortunately, this is not an issue as Shah departs in early 2015. I'm not sure what would have happened if he had still been there and seen the paper going in this direction. In any case, we moved ahead in what I thought was a very developmental and very constructive direction.

The other critical thing is that we had a guy—Steve O'Connell—with considerable stature, knowledge and authority where evidence and analysis are concerned. In any policy exercise such as this, the lobbyists and advocates will come in and say that their particular activity needs to be emphasized as critically important. Steve did a great job of keeping the lobbyists honest and ensuring that the overall paper reflected analysis and evidence.

*Q. And your role?*

CROSSWELL: Well, neither Jake nor I could have had the impact that Steve had in this regard. We just didn't have the same bureaucratic or technical standing and we couldn't be sure of the backing of our superiors if we tried to hold the line on advocacy. They usually emphasized reaching agreement and getting to yes. Jake and Steve did most of the writing. I contributed some background papers, including projections. They provided underlying evidence and analysis and provided some assurance that we had done our homework. And, I'll take some credit for recognizing that the multi-dimensional approach would resolve the major issues we were facing.

The draft came out in the summer of 2015. There was a lot of vetting and discussing. Steve took the lead in presenting and explaining the paper in his wise, professorial way. Everyone could see that it was the product of a serious policy exercise. They recognized



not just his expertise, but also but his seriousness of purpose and his high standards for how we discuss policy issues. So, the reactions were very positive.

The paper not only served the needs and purposes of AID. It also stood as a beacon of light and reason for interagency and international discussions if AID wanted to put it to such use and exercise policy leadership within the development community – a sharp contrast to jumping on bandwagons. So, in my view it was a brief shining moment for the policy function in AID during the Obama administration.

*Q. So did AID use it to good effect?*

No, unfortunately. In September 2015, the [Vision Paper](#) was issued. I don't recall much interest in rollout – I think people were getting tired of hearing about extreme poverty. The paper was somewhat anticlimactic, both in timing and content.

More importantly, Gayle Smith arrives a few months later as the new Administrator. By now Wade Warren has become the head of PPL, coming from the Global Health bureau. I think each of them had in mind all the atmospherics and hoopla about extreme poverty and the 2013 State of the Union address and the mission statement exercise. In any case, we hear that Gayle's position is "I'm interested in poverty, but I'm not sure I'm all that interested in extreme poverty." Wade is similarly reserved as nearly as I can tell.

To some extent I can't blame them, given the origins and nature of much of the discussion of extreme poverty. And, the paper is enthusiastic about the goal, even as it was very deliberate and sober about how to achieve the goal.

In any case, by the end of 2015 the paper is history.

*Q: You mean nothing ever happens?*

CROSSWELL: As far as I know, nothing ever happens. Now keep in mind that it was meant to validate what we were already doing in the context of a seemingly distinct new goal – reduce extreme poverty. So, it did not demand a lot of action or change in the field. It aimed to maintain or at least not aggravate policy coherence.

On the other hand, it could have been used to greatly improve the discussion of extreme poverty in the broader development community. It stands as an excellent statement of the nature of the poverty challenge, and the strong links to progress in transformational development.

*Q: It would still be very relevant today.*

CROSSWELL: Yes. And I'm a great believer in the enduring value of good policy analysis. I made a living from that – many of the same issues kept resurfacing, and there were wheels sitting around that didn't need to be reinvented. Colleagues such as Jerry

Wolgin, from his regional bureau perch, will ask, did this have an impact on the field? That's an important and valid question. And sometimes I have to say, well I'm not sure.

But sometimes the goal of policy is to allow the field to keep doing what they are doing and not divert them. And – apart from impact on the field – I think it's very important that AID provides good analysis and good responses to policy issues. For one thing, it's important that we are a voice for sound, well-informed approaches to policy issues. For another thing, the same issues keep resurfacing. So, the Vision Statement is sitting there saying the right things. For the next time someone asks, "How should we look at the challenge of poverty reduction...?"

But meanwhile, politically speaking, it came in on the wind and was gone with the wind.

*Q: How disappointing that must have been.*

CROSSWELL: Well, a sign of the times. It says a lot about the policy function during the Obama administration. Despite a wonderful start with the PSD-7 review, there didn't seem to be much in the way of longevity or durability in the policy area. The issue of updating the 2011-15 Policy Framework came up at some point, and no one was interested.

On the other hand, there's great satisfaction in helping to produce a solid paper on an important topic. Especially when it might have been a completely different kind of paper. Certainly Jake, Steve, Don and I were very proud of that paper as were others. Unfortunately, Jake moved on to MCC and Steve returned to Swarthmore at the end of the year.

## **RETIRING FROM AID, 2015-2016**

*Q: So this is end of 2015, and by that time you're already thinking that it's time for you to ...*

CROSSWELL: Retire? Yes, I had been thinking about retirement for the past several years. I attended the retirement seminar for a second time. I was discouraged about the limited interest in policy analysis in PPL, and the mismatch between the sorts of work I was producing and the operational style and culture of the policy office. An ideal situation would have been phased retirement. That is an option available to USG agencies that permits a retiree to work part time in a sort of mentoring or emeritus role – providing advice, counsel, and guidance but without day to day responsibilities for ongoing tasks.

My office was very supportive of that, it would have eased the mismatch tension. But it turned out that AID's personnel folks had decided not to take advantage of the phased retirement option. I never learned why. It probably would have made life more complicated for an overburdened group of retirement counselors. So, I set a retirement date for September 2016.

*Q: So that last year or so, was there anything happening of great note on the policy side?*

CROSSWELL: Well, perhaps not of “great note” but there were some efforts to shore up the policy function. It was a busy and productive time for me, I felt like an old oak shedding acorns.

First, before he departed Steve initiated a series of “economics briefs”. Mine was to be the initial one, on [Country Selectivity and Extreme Poverty](#). It allowed me to deliver the basic message about the need to clarify and distinguish among major goals, because distinct goals call for (among other things) distinct selectivity and graduation indicators. And – in the context of a goal of reducing poverty – it allowed me to put forward the same, counter-intuitive and imminently practical indicator of need that I had stumbled upon back in 1979. The economics briefs were about as close as we could get to a policy briefs series. There were maybe five or six of them, including several by Don Sillers.

Further, Steve – in his typically responsible and dutiful way – devoted a lot of energy and thought to his successor -- not just the person but also the placement. Based on his role in the Extreme Poverty Vision Statement, we both thought that the Chief Economist position should move to the Policy Bureau. That could strengthen the policy function – especially with a Presidential transition looming and the possibility of a major foreign aid policy review. So, his position was transferred to PPL and a new highly qualified Chief Economist, Louise Fox arrived early in 2017.

Second, some in PPL became a little nervous that the Bureau might not survive a transition. I was asked to write about the negative consequences of abolishing PPC in the 2006 Aid Reform. I revisited my “post-mortem” note and added more material on PPC. However, my [account](#) of what was lost with the demise of PPC implicitly accentuated major differences between PPC and PPL, at least to the careful reader. I discussed the Obama aid review, and the very PPC-like policy unit that it had envisioned. I did not draw explicit comparisons with PPL.

Closer to my retirement date, I volunteered a [paper](#) on policy in six administrations (starting with Carter), with special attention to transitions. In the wrap-up, I observed that in late 2016 (as in 1992 and 2008) there was no authoritative overarching policy statement that would orient a new administration. At the same time (and unlike 1992 and 2008) there was no apparent recognition of that as a problem, either internally or externally. Neither think tanks nor the Congress were complaining about policy incoherence.

Third, Gayle Smith expressed interest in fragile states. I had worked on that issue as part of the 2004-2006 White Paper effort, and again for the 2013-15 extreme poverty work. I was asked to provide my parting thoughts. So I wrote a [background/issues paper](#) that I hoped would provide a foundation for an eventual white paper by AID. I documented great variability in conceptualizing fragility and identifying fragile states. This gave rise to quite different lists of fragile states. I was able to isolate several distinct underlying factors, with quite distinct implications for assistance strategies. I also highlighted

fragility issues in a final presentation of my [development landscape work](#). It established that all but a handful of lower-income countries appeared on one or another list of fragile states. When 80% of lower-income countries are considered fragile and 80% of fragile states are lower-income countries, it becomes hard to distinguish the challenge of fragility from the challenge of development.

I'm not aware of follow-up work in AID on this issue. I'm happy to say that Jim Michel has done some great [work](#) on fragile states, as you know.

*Q: When Jim did his overarching paper looking at this, and looking at all the various definitions and so on, did he draw on your paper at all?*

CROSSWELL: He was kind enough to ask me to comment. I sent him a ton of stuff, both comments and papers. It was a very fruitful exchange from my standpoint. We agreed on the importance of “unpacking” fragility and looking at its distinct elements. And, he exposed me to some research that also made that very important point.

*Q: Are you still doing some work on this subject?*

CROSSWELL: Well, I try to keep my various data bases up to date. And I used the occasion of Jim's presentation to CSIS to write a short paper that made further progress on “unpacking fragility”. I had read some of the papers mentioned by Jim and looked further at the various approaches and lists.

In the end a country gets labeled as fragile for some combination of four distinct reasons. It may have limited capacity and resources, i.e. it's poor. It may be experiencing high conflict and instability. It may be a weak policy performer (for instance a low score on the World Bank's CPIA), signaling weak political will and commitment. And/or it may be weak where democracy is concerned. In some fragile states most or all of these factors are at work. In others, only one or two. What does this mean for a fragile states strategy?

Addressing the first factor is essentially the challenge of development. The second factor is a distinct challenge and is often addressed through special stabilization and peace-keeping efforts. The remaining two factors are essentially a matter of “political development”. My judgment is that our knowledge and track record in that area are quite limited and not encouraging. We don't have a valid “theory of change”. (I think Jim and I disagree on this.) So, my view is that a fragility strategy should mainly be about addressing political instability and conflict – as in the 2004-06 White Paper approach.

I followed up on some of the papers Jim alerted me to and had some exchanges with one author. But, at this point I'm way behind in terms of econometrics and quantitative methods. [laughs]. So, I have to try to sound sensible discussing papers in which the methodology is way beyond me.

*Q: That sounds exceedingly modest on your part. So, you finally did cut the cord, and when was it exactly?*

CROSSWELL: It was just before Labor Day in 2016 -- exactly forty-one years from when I started at the FED, and about six months shy of forty years at AID. Everyone was expecting Clinton to be elected and no one seemed concerned about the state of US foreign aid policy. So, it seemed like the right time. And – despite the surprising election results -- it turned out to be the right time. No regrets.

*Q: In terms of summing up, and if you look back over these forty years—you were talking earlier about high points low points and so on—you've touched on in your work on virtually every policy area and issue over this period of time. You didn't touch on yourself. You saw what was going on. I know it's not a fair question to ask you, to look back at that forty years and say, what were the things that you learned most about how to go about trying to affect policy at an agency such as AID? How much is this a function of personalities, as opposed to the content of the issues or the interaction with them? Are there any big picture lessons from all this that you'd like to end this fascinating oral history with? It's very unlike most oral histories because it is focused very much on this consistent engagement with the policy questions that affect an agency like USAID.*

CROSSWELL: Well a couple of things, that are likely to be incoherent. First, I started doing serious inputs into my performance reviews in the early '90s just so I would have a record. Each year I could look back over the previous 12 months and write about a significant number of very interesting tasks and papers. Now some of those didn't find much of an audience at the time, but important issues were always coming up. Even if someone doesn't ask you to write a paper, you can still write a paper.

*Q: And that you did, I gather. You took the initiative to do things that you thought were worth doing, and you were given that latitude.*

CROSSWELL: Yes, I did enjoy a fair amount of latitude. I tried to make sure the papers were always relevant and topical. They sometimes didn't fall on fertile ground, at least in the near term. But, even in fallow times, there was interesting work to be done. And fascinating issues to deal with, and opportunities to learn. I tried to remind people of issues we should all be paying attention to if policy was to be based on evidence and analysis.

*Q: So you enjoyed the work you were doing from a professional standpoint, almost regardless of the political or other influences. You could get satisfaction knowing you had done good work on important subject.*

CROSSWELL: Yes. Now it's always better to have an audience, especially senior policy makers. There's nothing like being in PPC in the latter '70s, and hearing “We need a paper on X”, and here are Alex Shakow and his senior staff waiting for this paper, asking for it and interested in it. And, also taking great interest in papers that were “volunteered” rather than solicited. Those are the peaks.

But, even when interest and demand for policy analysis were weak, and there was little or no response to papers, there was the consolation that good analysis is durable, and can come in handy down the line. So, there are Jean Arkedis and I strolling the endless corridors of the State Department, wondering how to stimulate interest. We fortified ourselves with the saying, “never underestimate the enduring power of the truth-seeking written word.” So, “write on”. The subsequent PSD-7 study proved us right – a great lesson and unforgettable experience.

*Q: And would you say that over these 40 years, the development community has learned a lot about what policies would be effective? Do you see—even though there are obviously ups and downs—that you're building on prior experience to evolve a more satisfactory policy direction? Should we be optimistic that we learn, or not?*

CROSSWELL: Well, I'm an economist so I'll give you a two-handed answer where *development policies* are concerned. I think we should be optimistic and proud where learning and knowledge are concerned; but less optimistic about whether learning and knowledge will be put to good use.

On learning and knowledge, I saw a sea change around the early '90s. I remember all the sharp, angry debates about economic policies during the 1980s -- what worked, what didn't work, private sector versus public sector, orthodox versus heterodox policies, structural adjustment and all that. All those debates, it felt to me, were settled, at least in their extreme form. We had the Washington Consensus —much maligned, but unjustly so in my view – and the 1991 [World Development Report on the Challenge of Development](#). That was followed by the [2008 Spence Report](#). (With our former PPC colleague, Danny Leipziger in a lead role.) More generally, I saw great progress, learning and evolution.

And, it's no coincidence that after the early 1990s there is a big increase in the number of developing countries achieving at least moderate economic growth. I started documenting this in the latter 1990s in response to allegations of little or no economic progress in the developing world. By the early 2000s there were enough examples in every region— Asia, Latin America, and Africa—to say, “Growth is demonstrably feasible.” I continued doing [updates](#) ever since and that picture remains valid. This includes countries of all types in Africa (though certainly not all countries in Africa); nearly every country in Asia; most formerly Communist countries, and a significant number of countries in LAC and MENA. There's almost no excuse -- except weak commitment and/or violent conflict and instability -- for a country not to achieve at least moderate growth. So, on development policies I think we've learned a great deal, at least where growth is concerned.

I'll also mention just in passing that the AID response and the international response to the transition from Communism was a great example of learning by doing – confronting a sudden, unprecedented, urgent challenge and eventually achieving quite a bit of success.

So, the big unknown isn't what it takes for growth and development progress (or transition). The unknown is -- what influences political systems to take advantage of knowledge and learning and produce good policies. (A troubling question in our own country these days.) I think we can discern what are good or bad development policies. But I don't think we know much about political development. I don't think we know how to strengthen or influence weak political will and commitment. And, we certainly don't know how to work around it. That's especially important where some views of fragility are concerned.

For foreign aid policies, I think the picture is somewhat similar.

One of my early senior economist essays in 2012 was about [AID leadership in development thinking and policy](#). It documents a lot of learning and evolution in a positive direction (from my own, biased perspective). We made a great deal of progress and got to a good place on many or even most issues. We didn't have all of the answers, but we were often out in front of the conventional wisdom. With the Poverty Vision Paper and work on unpacking fragility, that continued.

But, as in developing countries our political system and institutions don't always encourage making the best use of knowledge and lessons learned.

*Q: What we have to hope for is that there are curious and thoughtful leaders who are prepared to look at the evidence and listen to the people who have something to say on these subjects.*

CROSSWELL: Yeah. I believe Blanche DuBois said, "I've always relied on the kindness of strangers." I would say, "I've always relied on the curiosity and interest of dedicated senior policymakers". That includes you and your outstanding team in PPC; and the likes of Scott Spangler, Larry Saiers, and Tom Fox. And, Andrew Natsios and Jeremy Weinstein, both of whom came to embrace the basic approach in the 2004 White Paper. And policy office directors like Mike Morfit, Tish Butler, and Charles North. That's only a partial list. Importantly, it includes career staff and political appointees from both parties. (My list of adversaries would be similarly representative.) These people and many others asked great questions. And even when they weren't asking great questions, they took policy issues seriously and valued analysis and evidence directed at those issues.

But, it's not simply an issue of curious and thoughtful leaders. Incentives matter. Agencies need a budget. So, a lot depends on the budget process, and the criteria that Congress and the Administration apply for approving budget proposals. If Congress and/or the Administration insist on policy coherence, clear distinct goals, and strategic management to maximize results in terms of those goals, then there will be strong demand for policy based on evidence and analysis. Think of MCC. On the other hand, if they place priority on politically attractive uses of foreign aid, then demand for such policy analysis will be limited at best.

And that's just the demand side. On the supply side, we need policy analysts who are technically qualified AND who are willing and able to speak truth to power. I have some concerns about this.

First, there has certainly been a decline in expertise and technical qualifications in the career staff. I think that is a government-wide phenomenon. Over the course of my career the number of PhD economists working on policy declined steadily and drastically, at least among the career staff. (I read recently of a similar decline in expertise among staff in Congress.)

Second, there's what Daniel Kaufmann – in a [paper](#) on corruption -- called the “privatization of public policy” or the outsourcing of the policy function. Where Republican views on foreign aid are concerned, the Heritage Foundation seemed to have undue influence during the mid-1990s and in the justification for the 2006 Bush aid reform. Subsequently, Raj Shah did not seem to turn to PPL for advice and counsel about policy direction and issues. It felt like PPL's role was to be implementers and purveyors of policies emanating from elsewhere. I'm concerned about increased reliance on politically connected think tanks for both parties.

There are more subtle ways to outsource the policy function. I recently came across a [report](#) on a “contract for policy analysis” for PPL for 2014-17. That gave pause. Can we realistically expect contractors to challenge politically driven policy directives? If you want your contract renewed, will you provide the same inconvenient evidence and analysis on topics such as public enterprises, commercially motivated aid practices, or extreme poverty that a career public servant with job security would?

My main hesitation about retiring was that I did not see people coming behind me who had the same wonderful opportunities and who had experienced the same organizational culture that I enjoyed throughout most of my career.

But there are cycles as well as trends, so I hope for renewal of the policy function in AID.

*Q: I'm in the unique position by virtue of being here to ask the questions to know that you personally have made an enormous contribution dating back to the days when I was still working in AID.*

*The fact that you carried on for 40 years to build this kind of policy knowledge in your head, which you shared as much as you did through the writings, and the conversations, and the discourse; it was just marvelous. And I am deeply grateful that you were willing to sit for this oral history, and we will look forward to it being transcribed, then for you to edit it as you will and then getting it out so other people can have this benefit. But I thank you again, Mike, thank you very, very much. It's been a terrific career, and you have a lot to be satisfied about in all that you've accomplished.*

CROSSWELL: Thank you. I feel very fortunate, both for my career at AID and for the opportunity to do this oral history. The compliment I treasure more than any other came



from Dave Eckerson. After about a year and a half in F, AID employees assigned to F met with AID's Personnel office to discuss our job descriptions and grades. I wrote a note entitled "What Happened to the Policy Function?" I was pointing out what had been lost, and why it mattered. From his senior position in the Management Bureau Dave responded, "You speak the truth, Brother". I hope I have done that here.

*End of interview*

### **Addendum: How I Came to AID<sup>1</sup>**

I was born in Atlanta, GA in October 1945. I grew up as an "Air Force Brat", the son of a Colonel and his non-working wife. I was the middle child, with an older brother and a younger sister. My Dad had studied engineering for three years before joining the Air Force at the beginning of World War II. He was good at math. My Mom had no college. However, she was a child of the depression, and a home-economist with a vengeance – "waste not, want not". We moved around and I attended public schools in Japan (on Ashiya Air Force Base); Greenville SC; and Montgomery AL.

For high school I attended Culver Military Academy in Indiana. That required financial aid. I applied and was an alternate for a partial scholarship. Three weeks before the school year started, out of the blue the scholarship came through. I happily packed my bags. I was very eager, but also concerned about whether I would be able to keep up.

I was shocked after the first quarter when I saw my name near the top of the class ranking (for grades). I gained confidence, kept working hard, and experienced considerable success. I had the sense of thriving. And, it expanded my horizons.

We were an Air Force family, for whom private school –even with a partial scholarship -- was a luxury. Our "plan" was that going to Culver might put me in a good position to get into a service academy, preferably Air Force – a free college education. The plan worked in that I could have attended any of the service academies. However, by the end of my junior year I was pretty sure I didn't want to spend four more years in military school. Fortunately, the University of North Carolina started a Morehead Scholarship relationship with Culver during the fall of my senior year, and in December I was nominated along with another senior. So, I readily accepted that nomination, subject to an interview in April.

My parents were stationed in Germany during my senior year, so there was hardly any discussion of this, except in letters. I spent Christmas vacation with relatives, and I don't think we even spoke on the phone about college plans. I went ahead and applied to several top schools and was admitted to all of them, but without significant financial aid.

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<sup>1</sup> This was originally entitled "How I found my calling". I wrote it to convey to younger people -- such as college students -- a sense of ups and downs and twists and turns on the sometimes lengthy path to fulfilling work.

In April the Morehead offer was finalized so I grabbed that. I was very attracted to one of the top schools – based on an interview, not a visit -- but I don't recall any sense of regret about not going there. UNC looked plenty good and I assumed I would do just fine, with a focus on math and science.

Instead I bombed. I was very depressed my first year, probably (in retrospect) because it was a less sheltered environment. I started out in advanced calculus and got Cs, and also, a D in Physics. I sometimes have a nightmare where I am reaching the end of a college term and I haven't been to class, I'm way behind and I can't even find the textbook. That describes my feeling that year. I went to class, but I felt like it was taught in a foreign language, or that I was just in a fog. It was the opposite of thriving. I was ready to drop out of school and join the Marines, get my military obligation over, and do something -- anything -- that was useful and productive. (This is 1964 -- Bad idea!)

I stayed in school and things got better (but not great) my sophomore year. I said goodbye to math and science and took the introductory economics courses. I did reasonably well, but I sure wasn't a star. My grades probably averaged B+.

The best thing that happened in my second year is that I won a scholarship to study at Gottingen in Germany for the next year. The interview somehow went miraculously well – much like the episode in Harry Potter VI with the potion that brings success for a day. I finished my sophomore year thinking of myself as an economics major, along with international studies.

The year in Germany was not to count for college credit. There were lectures, but grades depended on comprehensive exams that a student would take at the end of a course of study. I attended some economics classes and others in music and art. It was a wonderful year, including some solo hitchhiking trips and an organized student trip to the Soviet Union.

So, when and how did I become interested in development? I returned to UNC my junior year thinking in terms of international economics, which evolved into an interest in economic development. Truth be told, a major factor in this was a romantic relationship with a woman – also an Air Force brat -- who was also interested in developing countries. We envisioned a future working on development. (Not necessarily together. Ours was already a long-distance relationship, so who knows – she might be in one country while I was in another.) Unfortunately, late in her senior year she upped and married an Air Force pilot. That was painful. But, the vision of working in economic development stuck with me.

Meanwhile, I continued to do only fairly well in economics. Others were doing much better. This left some room for doubt about my future as an economist. I did much better in international studies, especially diplomatic history. During my senior year the draft loomed. This is 1967/68, the height of the Vietnam war. My older brother is serving there as an infantry officer. (He survives.) In 1964 I was prepared to leave school and join the

marines. By 1968, opposition to the war had increased dramatically, and I became unwilling to serve.

I would have liked to have gone to graduate school (economics or public policy) but that was out of the question as there were no draft deferments for graduate school. I applied to the Peace Corps – both to avoid the draft and to gain experience in development. During the summer (August – pretty late in the game) I was admitted with an assignment to Venezuela, to work in a program called Municipal Management – mainly lawyers, architects, engineers, and city planners, but also three economists with bachelor's degrees.

Before training started in November, I returned to Chapel Hill – even though I had officially graduated -- to finish up a seminar paper. It critically examined a body of diplomatic history that interpreted our foreign policy in terms of imperialism driven by economic forces and interests. I focused on the 1870-1900 period, the critical period when these forces allegedly took hold. I established that the “story” the historians were telling about economic thinking and economic forces didn't hold up to scrutiny. Economists at the time weren't telling the story they alleged; the economic events at the time didn't fit the story they told; and the economic logic of the story didn't hold together. Instead, the quotes they cited to make their case about what politicians were thinking were simply from speeches appealing to interest groups – always a part of politics but not a coherent ideology or world view. The distinction they ignored was roughly the one between narrow commercial interests (always there, and very political) and economic interests -- a larger and very different set of concepts and ideas.

In hindsight, that paper foreshadowed my career in AID – bringing economic perspectives and thinking to policy discussions, often led by non-economists. I obviously didn't know that at the time. But, I knew that the two months solid I spent on the paper felt very good and productive. I was onto something and uncovering the truth. (It's remarkable that I wasn't enrolled at UNC. But, I was “familiar” and had the run of the campus. For two months I was able to stay in the small international student dorm and have access to the library. Quite a different era...)

Then I joined the Peace Corps. I did quite well in training – a small, structured environment, not unlike private school. I spent two and a half years in Venezuela, a much less structured environment. I didn't feel very productive. I wasn't very good in the political setting of municipal governments, and I wasn't very good on a cross-cultural, people-to-people level. I wasn't bad, it just didn't come very naturally or readily. I felt awkward and out of place. I had some great experiences, but I did not have a sense of accomplishment or professional progress. So, this was an important lesson about what I was NOT cut out for -- extremely valuable experience. On the positive side it gave me a feel for life in a developing country. (Interestingly, in my AID career I worked on one thing or another in every region *except* Latin America.) I came to realize that if I was going to work on economic development, I needed work that was more dependent on technical skills and less on people skills.

So, while in the Peace Corps I applied to graduate school in economics. I was admitted to Northwestern – a good department -- but without financial aid. So, I planned to go to a program a couple of rungs down. My Dad (bless his heart) made a phone call to the Northwestern professor in charge of admissions, pleading my case. (I never learned just what he said.) They coughed up a tuition scholarship, just enough to meet my needs.

There followed some maneuvering to delay a draft notice. I filed for conscientious objector status. That was turned down. I enrolled for a summer at Candler School of Theology, applying for a divinity school deferment. That was turned down. I appealed. All this took time. I reached the critical age of 26 with two weeks to spare before a draft notice would have been issued -- just as I began studies at Northwestern in 1971. It was an incredibly close call. At an earlier point I had met with economics faculty at the University of Toronto, so that might have been the alternative.

There was plenty of room for doubt about how I would fare at Northwestern, based on my so-so (for a would-be economist) record at UNC. In the event it went incredibly well – like Culver, much better than I had any reason to expect. By the second quarter I had full financial aid. I was near the top of my class (a nice small one, about 25). It wasn't a snap, but it felt intelligible with hard work. I liked the logic and the math. (Later, I aced the same math courses that were so impenetrable to me at UNC. It's all about brain development.)

My third year I started working on computable general equilibrium models. In those days you had to write your own computer programs, there wasn't software. I enjoyed that, and I was good at it. These models were relatively new, and I was in the vanguard. I impressed my mentor, Larry Westphal, who had come to Northwestern after teaching at Princeton. My fourth year, he left for Washington to work at the World Bank -- a big emotional blow for me. But he continued to be very supportive, especially on the job market.

I was highly ranked as I entered the well-organized job market for new or prospective PhDs in economics (prospective in my case and most others). I was invited to an ivy league school to interview and give a seminar. I was very anxious. I nonetheless got the offer. I remained very anxious. Among other things, I wouldn't have been admitted to their graduate program when I was coming out of college.

I also interviewed at the FED in Washington. They had a great staff of economists and offered a more structured work environment. Instead of thinking up papers to write I would be assigned topics to write on, with an assured audience. And, I wouldn't have to stand up in front of a bunch of brilliant grad students and try to be smarter than they. And, the FED looked to be a good setting for finishing my dissertation

Also, I was nearly 30 and the academic offer -- an assistant professor position – felt more like a post-Doc arrangement. On the other hand, the work at the Fed involved a shift in focus, towards international finance. I would have to adjust. I chose the FED. I've always considered it a good choice.

At this point in my life (age 30) I've had some very lucky breaks – financial aid to Culver, the scholarship to study in Germany, timely acceptance in the Peace Corps, barely beating the draft, and financial aid to Northwestern. I've done very well in two cases – Culver and Northwestern. But, not in college and the Peace Corps. And -- it turns out -- not at the FED. So, the signals regarding my “performance and prospects” have been quite mixed. I'm wondering where I belong and what I can reasonably expect.

### **Addendum: The 1993 Wharton Report**

In my account of the first year of the Clinton Administration, I expressed regret that there was apparently no fundamental/systematic review of foreign aid policy – at least not one that the AID policy staff was generally aware of. And, I indicated unawareness of the origins of the goals that provided the foundation for the *Strategies for Sustainable Development*. This strategy work was launched during the summer of 1993 without reference to any underlying studies, reports, reviews, or other antecedents. We essentially drafted “from scratch”. (I was working on the Economic Growth Strategy.)

The five goals (under the overarching rubric of “Sustainable Development”) were:

- Protecting the Environment
- Building Democracy
- Stabilizing World Population Growth and Protecting Human Health
- Encouraging Broad-based Economic Growth
- Providing Humanitarian Assistance and Aiding Post-Crisis Transitions

While editing and finalizing this oral history, I heard mention of the Wharton Task Force, as well as congressional testimony that dealt with goals for foreign aid. But I did not follow up. More recently I came across [testimony](#) from July 1993; and the September 1993 [Wharton Report](#). These answer some questions while raising others.

The first four pages of the *testimony* reveal the following: A “summary” of the Wharton Report had been made available to the participants. (Lee Hamilton, p.1.) Later, a participant refers to “the phantom Wharton Report, which none of us has officially seen.” (Julia Taft, p. 4.) John Sewell mentions (approvingly) the strategic goals for the Strategies, and attributes them to the Wharton Report. (p. 2). However, another witness, Frank Conahan from GAO, mentions the objectives set forth by the Deputy Secretary and then the refinements made by the Administrator. He refers to projects that would fit under “either set of those objectives.” (p. 3.) Shortly thereafter, he refers to the Deputy Secretary’s set of objectives and the Administrator’s set of objectives, and the need to reach agreement.

All of this suggests that the goals for the Strategies were based on the goals in the Wharton Report, but with modifications. And, whatever version of the Wharton Report

was made available at the time of the testimony was incomplete, closely held, and perhaps not yet final.

Two months later the *Wharton Report* appears in final form. The preface succinctly explains the origins and scope of the exercise. It was indeed a major systematic review in response to a request from the Secretary of State and also to a Presidential Review Directive. It was carried out by a task force of over 35 officials from various agencies concerned with foreign aid. (See Appendix A.) Six were from AID (including the Administrator, and Larry Saiers from the Policy Directorate); and twelve (plus Wharton) were from State. The report is thorough and well-organized – 152 pages in all including annexes and an eleven-page executive summary. It covers all the ground one would expect, in clear, concise terms. According to the discussion (p. 4) a preliminary, abridged version of the report was shared with Congressional leadership.

My immediate concern was with the strategic goals. Five overarching objectives for *overall* foreign assistance are laid out on p. v. of the executive summary:

- Building Democracy
- Promoting and Sustaining Peace
- Promoting Economic Growth and Sustainable Development
- Addressing Global Problems
- Providing Humanitarian Assistance

AID should play a primary role in pursuing four of those objectives (all but the second.)

The body of the report goes into more detail. While it is unclear what role our [Transition Briefing Book](#) may have played, the discussion echoes the major issues raised in the briefing book, particularly policy coherence; and addresses these issues head-on. The discussion of AID begins on p. 29 with the statement, “A.I.D. requires major reform.” The task force considered and rejected the options of abolishing AID or merging AID into State, and instead affirmed the need for a U.S. development agency. (pp. 31-34)

The discussion then turns to goals and objectives for AID. Here, the primary emphasis is clearly on development. The report highlights AID’s development mandate. And, the primary goal identified for AID is “Promoting Sustainable Economic Growth and Development”. This is discussed at some length (pp. 34-39)

There follows a discussion of three other goals – building democratic participation; addressing global issues (with mention of contagious diseases, access to family planning, environmental degradation, and narcotics trafficking); and responding to emergency humanitarian needs. Each one merits about a page of discussion. These goals are clearly separate and secondary.

Later (p. 47), the report directly confronts the issue of using foreign aid to promote U.S. commercial interests. It indicates that trade and investment activities that are peripheral to AID’s development mission should be transferred to other agencies. “A.I.D. must

concentrate on its development mission”. AID best serves U.S. economic interests by encouraging growth in developing economies, thereby expanding opportunities for U.S. business. This clearly settled a major, contentious issue that emerged during the first Bush Administration.

At various points (p.33, p.54) the report refers to actions under way within AID, some of which “complement” the findings in the report. I saw no discussion of the divergence between the goal structure for the Strategies (already underway), and the goal structure recommended in the Report.

Comparing the Wharton approach and AID’s revised approach, several differences stand out. The Wharton approach clearly identifies a *single* goal for “sustainable development” (with emphasis on economic growth); places top priority on that goal in the discussion of AID; and distinguishes that goal from global issues, democracy, and other concerns. In the revised approach, the distinction between development and other important concerns is dropped. All of the goals are seen as promoting sustainable development; and economic growth is certainly not primary.

There are a number of ironies.

As documented in this oral history, the journey from the Strategies for Sustainable Development to a coherent set of policy goals for foreign aid – one that singled out and prioritized development, and then identified other core goals – took another 10 to 15 years. It was a gradual process of “discovery”. Yet, the solution was right there all along in the 1993 Wharton Report. The frameworks that finally emerged during 2004 to 2010 – starting with the [2004 AID White Paper](#) and culminating in the [2010 NSC White paper](#) – essentially replicated Wharton’s.<sup>2</sup> We were slowly reinventing the wheel.

Similarly, despite the 1993 Report’s clear disavowal of commercially oriented aid practices and programs, at various times later in the 1990s we had to make the same case, based on evidence and analysis. This was productive, rewarding, successful work. Still, it would have been immensely helpful to be able to cite the findings and conclusions of an authoritative inter-agency review of foreign aid. However, this treasure was apparently deeply buried.

Further, it is ironic that a framework that clearly prioritized development (and economic growth) emanated from a task force chaired by State; and then AID introduced modifications that undermined that prioritization in favor of global issues and other concerns. I occasionally enjoyed pointing out that the [1992 Ferris Report](#) had exactly the right diagnosis (policy confusion); and exactly the wrong prescription (put State in charge of foreign aid.) In my experience State was not likely to come up with a coherent, disciplined approach to strategic management of foreign aid, given the wide and shifting range of concerns in developing countries for which aid could be helpful, and limited appreciation of the significance of development among those concerns. However, in 1993

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<sup>2</sup> The 2010 Presidential Policy lost some ground in terms of sharp distinctions among goals.

State (or at least Wharton) arguably demonstrated a better understanding and approach to policy coherence and development than did AID.

Within two months of issuing the Task Force Report, Wharton resigned, for reasons that remain mysterious and not to his discredit. (See [Wikipedia](#).) That is not necessarily ironic, but it was perhaps unfortunate for developmental foreign aid. With the Republican takeover of Congress in 1994, AID was surely in for a tough time. But we might have been somewhat better off with a policy framework emphasizing economic growth and development, rather than global issues. And – in view of Republican preferences for subordinating AID to State – we might have been in a somewhat better position working within a policy framework developed by an interagency task force led by State.

*(Proceed to interview)*