Managing Recovery: An Insider’s View

by G. Edward DeSeve

The first contribution is adapted from Managing Recovery: An Insider’s View, by Ed DeSeve. DeSeve oversaw the implementation of the American Recovery and Reinvestment Act. He provides an insider’s view on managing the administration’s efforts, describing a series of key decisions made by the administration in response to the worst economic crisis since the Great Depression. He identifies primary lessons learned from the implementation of the Recovery Act. The approach used to implement the Recovery Act—the use of managed networks—reflects some of the guiding principles for how to successfully meet future challenges when acting on big problems. DeSeve concludes his report with lessons for how public leaders can address major government-wide challenges in the future.

In January of 2009, passage of the American Recovery and Reinvestment Act (H.R. 1) was the most immediate legislative priority for the incoming Obama administration. The need for speed in enacting the bill was driven by the increasing severity of the economic crisis that came to be known as “The Great Recession.” In fact, as additional data for the fourth quarter of 2008 and the first quarter of 2009 became available during early 2009, the sense of urgency increased. The recession was worse than the administration’s economic team had realized.

In an unusual show of speed, the Act was passed by Congress on February 13 and signed by the president on February 17, 2009. The intensely partisan debate about the Act only heightened the need to implement the sprawling $787-billion mandate well. Critics cited the potential for waste, fraud, and abuse and estimated numbers as high as five percent of the overall funding or almost $40 billion as the potential for mismanagement.

The president and the vice president acted swiftly after the bill was enacted and created a management structure that relied on innovative processes and technologies.

Purposes of the Act

One of the most beneficial aspects of the Recovery Act as it was passed was the clarity of its legislative purpose. The Recovery Act was designed by Congress and the Obama administration with five purposes in mind (ARRA, Section 3):

• To preserve and create jobs and promote economic recovery

• To assist those most impacted by the recession

• To provide investments needed to increase economic efficiency by spurring technological advances in science and health

• To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits

• To stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases
To implement these purposes, the Act contained three major funding categories: Tax Benefits; Grants, Loans, and Contracts; and Entitlements. Each of these can be easily correlated with one of the five purposes of the Act. The three major funding categories were estimated by the Congressional Budget Office at the outset of the Act as follows:

<table>
<thead>
<tr>
<th>Funding Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Benefits</td>
<td>$288 Billion</td>
</tr>
<tr>
<td>Grants, Loans, and Contracts</td>
<td>$275 Billion</td>
</tr>
<tr>
<td>Entitlements</td>
<td>$224 Billion</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$787 Billion</strong></td>
</tr>
</tbody>
</table>

In an unprecedented move, the Office of Management and Budget, working with the Treasury Department and the Recovery Board, established a requirement and designed a system that allowed each agency to report on each TAFS weekly. For every major agency, links to these reports are posted each week on the Recovery Accountability and Transparency Board’s website—Recovery.gov.

**Organizing for Recovery**

**The Biden Memo**

With more than 250 newly created appropriation accounts across more than 25 federal agencies, it was clear at the outset that managing this effort was an extraordinary challenge. On February 20, 2009, Vice President Biden authored a memorandum to the president outlining a plan for overall management of the recovery program. This memorandum provided the blueprint for implementation. It contained recommendations on:

- Implementation leadership
- The vice president’s role
- Naming of a chair of the Recovery Accountability and Transparency Board
- The need to speed the search for an implementation CEO
- The announcement of the implementation effort in a joint session of Congress

“Nobody Messes with Joe”

As a reward for Vice President Biden’s thoughtful blueprint, the president assigned the overall management responsibility for the program to Biden, explaining publicly in a joint session of Congress (as recommended in the Biden memo) that he did this “because nobody messes with Joe.” On numerous occasions, the vice president has joked about this being the last memorandum he will ever write the president.

The Act gave a group of Inspectors General responsibility for monitoring how the money was spent. It did not create a mechanism for coordinating the spending of the funds or for ensuring the achievement of results. Biden was looking for an implementation CEO who would crack the whip and get things done. Ron Klain, the vice president’s chief of staff,
Don Gipps, director of presidential personnel, and Rob Nabors, deputy director of the Office of Management and Budget (OMB) initiated a search and ultimately had the vice president interview me.

Based on my prior experience as the deputy director for management at OMB, I suggested to the vice president that what was needed was an implementation coordinator, not a CEO. The cabinet contained plenty of CEOs as did state-houses across America. Recovery Act implementation called for building a coordinated network that would link all of the interested parties together to swiftly execute the purposes of the Act.

The vice president agreed with this approach and suggested that I have three titles: Special Advisor to the President for Recovery Implementation; Assistant to the Vice President; and Senior Advisor to the Director of OMB. These three titles ensured that I had the authority of the president behind me, that I reported directly to the vice president, and that I would be working closely with OMB during my tenure. This structure proved prescient, as all three components were essential to success.

Major Actors
The importance of managing implementation has been widely recognized. Key to this implementation was involving multiple major actors at the outset.

The President
In implementing the Recovery Act, the tone was set from the top. In his speeches, economic daily briefings, trips to Recovery Act sites, and daily meetings with key staff, the president made it clear that rapid implementation of the Recovery Act was among his highest priorities. He made sure that the recovery implementation coordinator was a key member of his senior staff and attended each morning’s staff meeting chaired by the chief of staff. He personally met periodically with his economic team, the vice president and the recovery implementation coordinator to get direct briefings on progress. He personally read and annotated memos and reports on recovery. At cabinet meetings, he stressed to each of the department secretaries the importance he placed on their achieving recovery goals quickly to aid the American people.

The Vice President
In the Biden memo, which was drafted by Ron Klain, the vice president’s chief of staff, the crucial role of the vice president was articulated as follows:

• Designate the vice president to take the lead on implementation. This was to be done by the president in a very public way and the Joint Session of Congress proved to be that venue.

• Have the vice president chair regular meetings with cabinet secretaries or their designees where the agency had major implementation responsibilities

• Appoint an implementation CEO who would report directly to the vice president but also have reporting relationships to the president and the director of OMB

• Have regular public reports from the vice president and regular meetings by him with governors and mayors as well as Congressional leaders

All of these recommendations were accepted by the president and carried out by the vice president.

Recovery Implementation Office (RIO)
Also in the February 20, 2009 memo was the recommendation to create a modest office under the “Implementation CEO” to oversee the “high level management dimensions” of the Act. After a search seeking “experienced public administrators, corporate executives and retired military leaders,” I was chosen. I followed the outlines of the memo but
suggested that “coordinator of recovery implementation” was a more appropriate title than CEO. The “modest staff” of the recovery implementation office never exceeded eight full-time equivalents and the majority of these were temporarily assigned from other agencies.

Recovery Accountability and Transparency Board (RATB)

The Recovery Accountability and Transparency Board was created by the American Recovery and Reinvestment Act of 2009 with two goals:

- To provide transparency of Recovery-related funds
- To prevent and detect fraud, waste, and mismanagement

Earl E. Devaney was appointed by President Obama to serve as chairman of the Recovery Board. The board and its chair have been instrumental in creating a reporting environment that emphasizes accountability, transparency, and speed. Quarterly reporting by recipients was instituted in accordance with the Act and has been a highly successful mechanism for using transparency of data to minimize fraud.

The RATB was a tremendously effective partner to the Recovery Implementation Office (RIO) and to OMB as we implemented the Act.

Office of Management and Budget (OMB)

OMB was first out of the box on recovery implementation. OMB’s actions were led by Deputy Director Rob Nabors and Acting Controller Danny Werfel. Nabors organized the daily calls with agencies while Werfel worked to prepare internal and external guidance on implementing the Act. On the budget side of OMB, the resource management offices worked to clear spending plans with extraordinary speed. They also resolved disputes among agencies such as resolving the application and implementation of Davis Bacon wage determinations.

The ability of OMB to work with bodies like the Federal Acquisition Regulatory Council, the Office of Personnel Management, the General Services Administration, and others enabled the drafting of needed regulations and other actions by these agencies to be completed in record time.

RIO and OMB worked closely in formal weekly meetings and daily informal meetings with the Recovery Accountability and Transparency Board.

Others With Statutory Responsibilities

- Council of Economic Advisors. As part of the unprecedented accountability and transparency provisions included in ARRA, the Council of Economic Advisers (CEA) was charged with providing Congress quarterly reports on the effects of the Recovery Act on overall economic activity, and on employment in particular.

- Congressional Budget Office. CBO was required to make the initial estimates of the cost of the Act and subsequently monitor progress in spending as part of its overall budgetary activity. In addition, it was required to provide quarterly reports on economic impact and jobs.

- Government Accountability Office. In addition to its general responsibilities providing “oversight, insight, and foresight” to all government programs, GAO was specifically tasked with oversight of implementation of ARRA programs in states and local areas and providing quarterly reports. It was also tasked with examining the number of jobs created as reported by recipients.

- Inspectors General. IGs were given funding under the Act to exercise additional vigilance over the spending of Recovery Act funds. Twelve of them were ultimately designated by the statute or by the president to serve as members of the Recovery Accountability and Transparency Board.

States

As of August 2011, states have been allocated $280 billion in funding. This meant that states were major players in directly receiving funds, and in some programs, had distribution and oversight of funds going to non-profits and local governments.

The National Governors Association (NGA) took its responsibilities very seriously. When implementation problems developed, NGA brought them forward and they were quickly dealt with.
Federal Agencies

Early on, OMB instituted daily phone calls with senior responsible officials (SrOs) in all agencies involved in a major way with recovery. This amounted to more than 20 agencies which had more than 200 programs. They allowed each agency to describe implementation challenges and seek assistance solving them. They also gave SRO and OMB the ability to send messages to the entire network of agencies all at once and get their feedback if any. This sense of urgency was reflected in making sure that every agency met or exceeded the goals or timelines in the Act.

Organizing Implementation

“It Takes a Network …”

Given the complexity of the statute and the number of actors involved, traditional hierarchical principles were unlikely to produce results with sufficient speed to meet the urgency of the Recovery Act’s mission. Without explicitly articulating network principles, the February 20th memo from the vice president to the president laid the foundation for invoking networks to manage recovery implementation.

Addressing complex or “wicked” problems requires a new approach. In the Year 2000 Computer Crisis (Y2K), dealing with the Severe Acute Respiratory Syndrome (SARS) epidemic, responding to Hurricane Katrina, and launching the war against terrorism, a model of “managed networks” replaced the traditional hierarchical form of government organization. A “managed network” can be defined as: “an integrated system of relationships that is managed across formal and informal organizational boundaries with recognized principles and a clear definition of success.” This approach to governance is reflected in the guiding principles for managing the implementation of the Recovery Act.

The type of “managed network” that the Recovery Act represented was a “community of shared mission.” The mission was clearly spelled out in the purposes of the Act. Everyone involved knew that job creation, assisting the needy, building and rebuilding infrastructure, stimulating investments in technology, and assisting states and localities in meeting their obligations were the missions of the Act.

Translating a sense of mission into organization and ultimately into action requires the use of network management principles. In fact, each of the elements in Network Management Principles was consciously included in the design of the implementation mechanism for the Recovery Act.

Key Implementation Decisions Made

- **Attention from the top was paramount.** In a joint session of Congress, the president announced that Vice President Biden would be in charge of implementation because, to quote the president, “Nobody messes with Joe.” Biden would directly task the cabinet using a series of meetings, challenges, and deadlines. He would directly oversee the Recovery Implementation Office which was tasked with coordinating all aspects of implementation.

- **Financial reporting would be done on a weekly basis.** This unprecedented decision drove accountability and performance.

- **Twelve Inspectors General would use new tools to fight fraud.** Empanelled under the statute as the Recovery Accountability and Transparency Board (RATB), and with presidential authority, the Board would be given extraordinary ability to promote transparency, require accountability from agencies and recipients, and use the latest technology to track reporting.

- **Technology would be at the core of the network management approach used to coordinate the effort.** Collaborative data tools, formal use of the Internet for reporting, and high levels of interconnectivity would be used.

- **Federalism could be made to work.** There was an unprecedented relationship forged between the White House, agencies, the Recovery Accountability and Transparency Board, and state and local governments. Using the tools described above and a series of well-crafted guidance documents plus the continual attention of the vice president and his staff, state and local
governments were connected in a collaborative way to their counterparts in federal agencies, the White House, and overseers.

- **The administration promised to use the ARRA experience to institutionalize successful reforms.** While all of the recovery implementation apparatus was intended to be temporary, the president and vice president wanted to be sure to capture what worked and make permanent successful processes and reforms developed in implementing recovery.

“A New Way of Doing Business”

The lessons learned from the Recovery Act can encourage better performance of all federal government programs going forward. Some of these have been mentioned before and are summarized in this section.

The primary lessons learned from the implementation of the Recovery Act are:

- **Attention from the top matters.** There is no substitute for the president and the vice president being fully engaged.

- **Transparency minimizes fraud.** Having many sets of eyes and ears, including the public’s, committed to avoiding problems pays dividends if properly organized.

- **Financial information can be transmitted in an almost-real-time environment.** Having weekly financial data and quarterly recipient data made course corrections possible and constant reporting required both agencies and recipients to exercise greater care about the data.

- **New technology enables direct reporting.** The use of existing successful technology-based reporting models and the Internet can make data transmission faster and more reliable, minimizing the need for intermediaries.

- **Geospatial mapping makes data more understandable.** The availability to the public of data that they could relate to their own neighborhoods was an extremely powerful tool in promoting program acceptance.

- **Collaboration through networks was essential.** Using clear principles, a series of networks was developed that aligned incentives and accountability in a way that promoted rapid and effective performance.

- **The Recovery Act provides a template for agency planning in the future.** As the GPRA Modernization Act of 2010 is implemented, agencies are looking to the lessons of the Recovery Act for guidance.

Lessons for Acting on Future Big Challenges

While we don’t know exactly what the future will bring, we do know that there will be huge challenges that only government can meet. Many of these challenges will be in the form of emergencies—technology, financial, health, disaster response, or others. We’ve seen them before: the 2008 meltdown of the financial system, the Y2K challenge, the SARS epidemic, and Hurricane Katrina. We will see them again.

Meeting complex, or “wicked,” problems requires a new approach based on an integrated system of relationships that reach across both formal and informal organizational boundaries. The approach used to implement the American Recovery and Reinvestment Act—the use of managed networks—reflects some of the guiding principles for how to successfully meet future challenges when acting on big problems. Some of the major lessons learned were:

**Lesson One: Act quickly.** The American Recovery and Reinvestment Act was signed less than one month after President Obama took office. This was accomplished by close coordination with Congressional leadership and continued dialogue with key senators and representatives. There was a downside to fast action. Partisan opponents of the Act felt disenfranchised and continued their criticism of the Act throughout its implementation. The real question for history is whether the Recovery Act was effective in preventing an even more catastrophic economic downturn.

**Lesson Two: The president and vice president must provide strong direction.** In Recovery Act implementation, we all
learned the lesson that there is no substitute for presidential leadership. From his strong action even before taking office to his joint statement to Congress and on to his regular meetings with cabinet members and the Recovery Implementation Office team, President Obama demonstrated the kind of hands-on leadership that is required to meet big challenges. He delegated management of the challenges but he didn’t delegate very far. Having the vice president as the single “responsible individual” made all the difference.

Lesson Three: Collaboration maximizes speed of execution. Speed was of paramount importance in recovery implementation. The sheer number of actors—more than 250,000 prime recipients alone—meant that collaboration had to replace command and control as the operative model. The mantra of “managed networks” was put in play at the very beginning of the Act’s implementation and was the watchword throughout. Leadership, clear guidance, resources, a compelling mission statement, information sharing, a networked structure, distributed accountability and the presence of statutory or regulatory authority that could quickly be deployed were essential elements.

Lesson Four: Federalism is a key form of collaboration. It was essential to eliminate the adversarial relationship that often exists in dealings between the federal government and states and localities. States were responsible for delivering or overseeing more than one-third of Recovery Act funds. Localities competed hard for their share of funding for programs. This competition sharpened the focus of these programs and helped speed delivery. Having state and local governments as full partners made the Act’s implementation swifter and less prone to error.

Lesson Five: Information must be transparent, timely, and relevant. President Obama indicated early in his administration that his long-held view that information was to be fully transparent was at the core of his approach to governing. This commitment translated itself into the operating principles of the Act. Even the name of the oversight agency, The Recovery Accountability and Transparency Board, was a powerful symbol of what was expected. But the Board could not have been as effective as it was without the leadership of OMB in providing standards and guidance for data reporting. The unprecedented weekly reporting and posting of financial data for both obligations and outlays required by OMB set the tone for all data transmission under the Act.

The rapid, open transmission of relevant information also served as a deterrent to fraud. Chairman Devaney often spoke of enlisting the “citizen inspectors general” and one local recipient quipped, “No one would steal this money with everyone watching.” This phenomenon of citizen IGs and everyone watching was empowered by the collaboration of OMB and RATB with recipients and oversight agencies.

Lesson Six: It ain’t over till it’s over. As we view the implementation of the Act, it is clear that all of its original purposes were met. Jobs were created or saved; the needs of the most vulnerable were addressed; new and existing infrastructure was enhanced; and states and localities were saved from disastrous cuts or new taxes. There is a fear of a second recession. The administration has been vigilant in guarding against this while at the same time seeking a path toward fiscal discipline. The lessons learned in implementing the Recovery Act will no doubt be helpful to them as they go forward.

---

1 For a list of all guidance documents from OMB see: www.whitehouse.gov/omb/recovery_default.


4 Morse, Buss, and Kinghorn, Transforming Public Leadership for the 21st Century, p. 211.

---

TO LEARN MORE
Managing Recovery: An Insider’s View
by G. Edward DeSeve

The report can be obtained:
• In .pdf (Acrobat) format at the Center website, www.businessofgovernment.org
• By e-mailing the Center at businessofgovernment@us.ibm.com
• By calling the Center at (202) 551-9342