

House Committee on Foreign Affairs
Hearing on June 25, 2008

“Foreign Assistance Reform: Building US Civilian Development and Diplomatic Capacity in the 21st Century”

Witnesses

The Honorable M. Peter McPherson

President

National Association of State Universities and Land-Grant Colleges
(Former Administrator of U.S. Agency for International Development)

The Honorable J. Brian Atwood

Dean

Hubert H. Humphrey Institute of Public Affairs
University of Minnesota
(Former Administrator of U.S. Agency for International Development)

Summary of Chairman Howard Berman’s Opening Statement:

Chairman Berman emphasized that one of the best reasons for strengthening the civilian capacity of foreign assistance is that it would make using military force less likely. He stressed the need for reforms across the board-not just at the top directive levels-stating that substance should prevail over structure. The three things he recommended were more funding, more personnel, and better legal authority. A better funded and more agile USAID is critical in strengthening the American capacity to promote the values of freedom, democracy, and rule of law.

He repeatedly emphasized the need for more USAID personnel, specifically those with “smart skills” and critical language capabilities. He ended his remarks by noting that a reform of the outdated Foreign Assistance Act is an urgent necessity for the efficacy of foreign aid.

Summary of Ranking Member’s Ileana Ros-Lehtinen’s Opening Statement:

Ranking Member Ros-Lehtinen referenced the issue of civilian capacity to the old adage of the glass of water: it can be seen in a positive light (half full) or a negative one (half empty). It is half empty in that the number of direct-hire employees at AID has indeed decreased; it is half full in that the total number of staff at AID has risen. In addition, foreign aid programs are more dispersed than they were in the Cold War time period, thus rendering an equation of USAID staffing levels to the overall level of aid misleading at best. Ros-Lehtinen notes that the constructive role of agencies besides AID that support aid programs should be looked at as well, perhaps even in a hearing specific to their role.

She then discusses the structure of foreign aid agencies in other developed nations to bring up the fact that while some countries are trying centralization of their aid

operations, others are going in a different, decentralized way. She mentions that less legislative oversight on aid programs makes it easier for agencies to draw up long-term plans, and asks if the American Congress would ever want to follow that model.

Summary of the Honorable J. Brian Atwood's Testimony:

Mr. Atwood began his testimony by discussing the history of foreign aid, specifically under his tenure as USAID administrator under the Clinton Administration. He mentions the "peace dividend" that pervaded the post-Cold War environment of the early 1990's, stating that the lack of AID funding it entailed meant closing 27 missions in a time of global conflict and strife.

Mr. Atwood references the "three D's" of the National Security Strategy—defense, diplomacy, and development—and argues that two of the legs can not perform their roles if the third is not being adequately supported. From this he makes three primary recommendations.

1. A more streamlined, agile State Department that focuses on its diplomatic mission.
2. A rebuilding of USAID to enable it to take a strategic approach to development and coordinate the assistance efforts of other agencies.
3. A development mission that is in sync with the diplomatic mission and reinforces the State Department's role.

Mr. Atwood bluntly states that "development is overrated," meaning that while it is essential for poverty reduction, it is not sufficient. A combination and coherence of development, finance, and trade policies is necessary for both immediate poverty reduction and the long-term growth that is in the ultimate interest of the US. He concludes by arguing that a new Cabinet-level position for Development is needed and that, as per Chairman Berman's remarks, form should follow substance. He tempers this recommendation by stating that a Cabinet-level position is the President's prerogative.

Summary of the Honorable M. Peter McPherson's Testimony:

Mr. McPherson's first recommendation to the Committee is to rebuild civilian and technical capabilities. He states that the historical strength and comparative advantage of USAID has been its number of people on the ground who understood the situation; now it has become primarily a contracting agency. His second recommendation is that the AID Administrator should be a statutory member of the National Security Council.

He argues that the AID Administrator should still report to the Secretary of State in order to ensure that the Secretary retains policy oversight. However, agencies and initiatives that deal with foreign assistance (such as PEPFAR and MCC) should report to the USAID administrator. Though he commends the role of the Department of Defense in post-conflict and other unstable situations, he argues that their role should be limited to providing security rather than infrastructure, agriculture, and education services.

Questioning

Chairman Berman: Describe how the relationship between development and diplomacy worked both before 1998 (the 150 account) and since then (the F process).

Rep. Fortenberry: I have an idea for an American Expeditionary Diplomatic Reserve Corps (AEDRC); it would be an institutionalized structure that seeks to tap into the innovative spirit of middle-life Americans. There's also a measure attached to the defense authorization bill that creates a civilian reserve corps which is going to enhance capacity building as well. Can you comment on how effective this concept is and other ways in which it could be broadened?

Rep. Scott: There is a lot of fragmentation among the different departments and agencies that deal with foreign aid. Is a cabinet-level position the best approach to bring these jurisdictions together?

Rep. Poe: What would you characterize the theme of American foreign policy? How is the program to hire more experienced FSOs working out? What about efforts to recruit foreign military?

Rep. Costa: Our foreign policy, seven years into President Bush's administration, has been very much about nation-building. Can you comment on how the new administration should separate the roles of the Department of State, Department of Defense, and USAID?

Rep. Ros-Lehtinen: Does the recent announcement by the Secretary of State that DOS personnel will receive training in development undermine the rationale for a separate aid agency and a clear demarcation of duties? What is your view on region focus versus country-specific programs?

Rep. Lee: I like the idea of a Cabinet-level position for the coordination of development; I also like the idea of a creation of a Department of Peace. How do we craft development assistance not from a selfish perspective, but from a realistic perspective?

Chairman Berman: The MCC guidelines for countries that will best use and benefit from aid (good governance, etc.) are appealing, but the issue of poverty alleviation is so important that we have to work with countries that are not going to meet all of the criteria. Do we forego working with countries that will see only short-term benefits from our aid? What is the process by which we can deal with our institutional desire to have input into priorities but at the same time reconcile those priorities?

House Foreign Affairs Committee Holds Hearing on US Foreign Assistance Reform

BERMAN:

Our hearing will come to order.

It's a real treat to welcome our two experts today for the second in a series of hearings that the committee will convene on foreign assistance reform.

As will be obvious when I introduce the witnesses, these are people who very thoughtful, with real hands-on experience on this issue.

A committee hearing in April we have already held examined the challenges to our broken system and some potential solutions. The hearing revealed that there are diverging views on the direction that the reform should take, but there was broad agreement that U.S. development and diplomatic initiatives are not living up to their potential, in part because they aren't receiving the resources they need. But just in part.

In recent years, dozens of reports, articles and speeches have made the case for strengthen the capacity for U.S. civilian agencies. There are many good reasons for doing this, but perhaps Secretary of Defense Robert Gates put it best in the Landon Lecture at Kansas University last November, when he said, "Having robust" -- I quote -- "Having robust civilian capabilities available could make it less likely that military force will have to be used in the first place, as local problems might be dealt with before they become crises."

The foreign assistance reform debate in Washington is focused largely on the merits of creating a Cabinet-level department of development. That's certainly an important issue that we'll have to examine, but it's important to remember that there's a pressing need for reforms across the board, not just at the top of the organizational chart.

In the next administration, strengthening our development and diplomatic capacity must be a priority. Substance should prevail over structure.

The next administration and Congress will have to develop a consensus on what needs to be done to strengthen the nonmilitary tools we use to further our national security goals. We can't let the discussion begin and end with how the boxes are arranged. Rebuilding U.S. development and diplomatic capabilities requires more funding, more people and better legal authorities.

Despite modest increases since 9/11, the international affairs budget remains dangerously underfunded and still falls 17 percent below what the United States spent in today's dollars during the Cold War.

Compare what we spend on diplomacy and development to our spending on defense and you'll find that the total international affairs budget for fiscal year 2009 -- \$39 billion -- is roughly equal to the increase in the D.O. budget -- DOD budget -- between 2008 and 2009.

To emphasize again, the Department of Defense budget increased from one year to the next by about the same amount as the entire year's budget for diplomacy and development.

Investments in our diplomatic, economic and development programs are critical in strengthening America's capacity to engage the world. Many of these programs provide the basic resources that American diplomats and development experts use to promote fundamental American values -- freedom, democracy, rule of law. Increasing funding will enhance our capabilities to address the challenges that face America in the 21st century.

We can't transform our diplomatic and development corps to meet these challenges without significantly increasing the number of trained and skilled Foreign Service officers devoted to development and diplomacy.

Since the end of the Cold War, the backbone of America's development and diplomatic might, the U.S. Agency for International Development and the Department of State has been substantially weakened by staff cuts, higher freezes and consolidation.

BERMAN:

While this administration has taken small steps to reverse course, there are still only 6,600 professional Foreign Service officers today in the State Department. According to Secretary Gates, this is less than the personnel of one of our carrier battle groups.

Likewise, at a time when the United States is engaged in two massive stabilization and reconstruction efforts and countless other emergencies, USAID barely has 1,000 Foreign Service officers.

Compare that number to the height of the Cold War, when they had more than 4,500 Foreign Service officers, with expertise in engineering, agricultural development, rule of law, civil administration.

The U.S. needs a cadre of experienced Foreign Service officers with robust language abilities and expertise in smart skills, such as job creation, education, engineering and good governance.

The next administration must invest the resources needed to build a corps of educated, experienced people who are willing and able to work in a wide range of countries, from the most stable to those that are impoverished and war torn.

Increased funding and the number of people in our civilian agencies are major steps to rebuilding civilian capacity. However, more money and people without the appropriate effective legal authorities will only do so much.

Next year, I hope that we in this committee will begin an overhaul of the Foreign Assistance Act of 1961. As part of this endeavor, we'll look at improving the personnel, procurement and other authorities to ensure that U.S. diplomats and development experts can operate effectively in Washington and in the field.

In addition, we'll review which authorities are needed to rapidly deploy skilled Foreign Service officers in conflict and post-conflict zones.

Recently, the committee acted to improve the U.S. civilian capacity when it passed H.R. 1084, the Reconstruction and Stabilization Civilian Management Act.

The bill authorized the establishment of the readiness response corps to respond to stabilization and reconstruction crises, and codify the establishment of an office of coordinator for reconstruction and stabilization within the Department of State.

It authorized the president to transfer or reprogram up to \$100 million in any given fiscal year for stabilization and reconstruction assistance.

This bill has been now incorporated into the 2009 National Defense Authorization Act. But it was only a stopgap measure.

I'd like our witnesses today to provide their thoughts on how we can meet this -- the goal. How would you improve the capacity of the U.S. civilian agencies to respond to the challenges of this century?

In addition, what concerns do you have regarding the migration of Department of State and USAID legal authorities to the Defense Department? What role should the U.S. military play in providing foreign assistance?

I look forward to hearing the testimonies of the witnesses and their answers to these questions. And I'm now pleased to yield to my ranking member and friend, Ileana Ros-Lehtinen of Florida for her...

(CROSSTALK)

ROS-LEHTINEN:

Thank you so much. Thank you, Mr. Chairman.

At our last hearing on the general topic of foreign aid reform, I compared our foreign aid system to a bowl of spaghetti, given the difficulty in following all of the lines of authority and achieving our foreign aid objectives.

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The specific topic before us today, the issue of civilian capacity necessary to support our foreign aid projects, reminds me of the old adage of the glass of water. Depending on your perspective, the glass of water that is our current civilian capacity can be seen as either half full or half empty.

For example, our level of staffing at the U.S. Agency for International Development is an obvious example for us to consider, a good example of what I mean about the glass of water analogy, because the number of direct-hire employees at AID has, in fact, been cut in recent decades. This is where the glass may seem half empty to some.

But the total number of staff of all types who now work for AID has risen, at least compared with the total of three decades ago, in 1978.

It just depends on how you compare staffing levels with the totals of earlier years and the types of employees that AID has today. And there is certainly a question as to how much of our program management we should delegate to contractors.

And many observers also rightly note that our foreign aid programs today are dispersed across many departments, many agencies. Such observers rarely seem to emphasize, however, that those additional agencies also have additional civilian staff and additional resources of technical expertise.

It may well be the case that such dispersion of programs across our government calls for better coordination. But we should be sure that while we examine the question of coordination of agencies, we don't overlook the fact that there are other staff capacities out there besides AID's and that they may be playing a constructive role in supporting our aid programs today.

And that is something we may want to explore in more detail, perhaps in a specific hearing.

In looking at U.S. foreign policy today, we should not look back to 1961, the year that the Agency for International Development was created, as if it was something of a Utopian age. It was simply a different age, with different circumstances.

We certainly need to consider the evolution of our foreign aid programs, but we should also look abroad to see how other donor countries are addressing the developing challenges of this age at the start of the 21st century, as the title of today's hearing notes.

Germany and Britain, for example, have independent, centralized aid agencies. And others, such as France and Spain, have aid agencies that are subordinated to foreign ministries. Sweden has an international development cooperation agency under its foreign ministry, but it directs a great deal of its aid funding to an investment capital fund, rather than to more traditional aid programs.

Denmark has decentralized its aid program, transferring much of the management and decision-making to its overseas offices. The European Union's program has a complex structure, having three directorate generals working with one implementing agency.

Japan's International Cooperation Agency may soon merge with part of Japan's Bank for International Cooperation.

And whether these examples might ultimately impact the development of our own aid program is unknown, but I raise these examples to demonstrate that while some countries are trying to centralize their aid operations, others are going in a different direction, decentralizing them.

And the way that they choose, whether it's centralization or decentralization, would certainly have an impact on staffing requirements. So I ask our witnesses if they could share their thoughts today regarding their proposals for a centralized U.S. aid agency and what it would require in terms of staffing levels.

In closing, Mr. Chairman, let me say that I believe that Congress has some difficult internal questions that it needs to ask itself.

ROS-LEHTINEN:

Some governments, such as Britain's, have much less legislative oversight over their aid programs. And while that makes it easier for the British Department of International Development to draw up long-term plans and implement them with little objection from the parliament, will we want that as a model for American -- for the American Congress to follow?

And finally, as we move forward with possible reforms of our Foreign Assistance Act -- and I congratulate you, Mr. Chairman, for taking this on as one of our missions for us to do -- we have to engage with so many other individuals -- leadership in both parties,

Appropriations Committee, other authorizing committees, such as Financial Services, Armed Services, that have jurisdiction over large or growing development programs, we need to meaningfully engage the Senate in this enterprise.

So there are a lot of difficult questions and many layers of conversations that we must have, but I congratulate you, Mr. Chairman, for taking on this task, and I look forward to working with you to ask ourselves the difficult questions, even if we're not sure what those answers may be.

Thank you, Mr. Chairman, as always.

BERMAN:

Well, thank you, Ms. Ros-Lehtinen. You're absolutely right, this ain't going to be easy.

I want to get right -- as quickly as possible to the witnesses, so I'm going to shorten the introductions a little bit. But by and large, I mean, the special treat here is two very talented people, one who's held a number of different positions in the State Department, Brian Atwood, who's now dean of the Hubert Humphrey Institute of Public Affairs at the University of Minnesota.

He was for six years the USAID administrator under President Clinton, and before that was undersecretary of state for management in the early part of the Clinton administration, as well as the leader of the transition team, after the November 1992 elections, for the State Department, for then President-elect Clinton.

BERMAN:

Back in the Carter years, worked for Senator Eagleton. And where I first met him, he was president of the National Democratic Institute for International Affairs from 1986 to 1993.

He, like our other witness, has been awarded the Secretary of State's Distinguished Service Award in 1999.

Our second witness is Peter McPherson. Welcome him back to the committee. He's now president of the National Association of State Universities and Land-Grant Colleges, and president emeritus of Michigan State University.

He chairs the board of the Abraham Lincoln Study Abroad Commission, and is the founding co-chair of the Partnership to Cut Hunger and Poverty in Africa, and a number of other key positions.

He took leave from his -- he retired as president of Michigan State University after 11 years, but took leave during that time, from April to October of 2003, and served as director of economic policy in Iraq under the Coalition Provisional Authority.

Very importantly for his appearance here, from 1981 to 1987 he served as the USAID administrator under President Reagan. Before that -- or after that he was a deputy secretary in the U.S. Department of Treasury.

Peace Corps volunteer in Peru and also received the Secretary of State's Distinguished Leadership Award.

Mr. Atwood, why don't you go first?

And thank you both for being here.

ATWOOD:

Thank you very much, Mr. Chairman and Ms. Ros-Lehtinen.

And I appreciate your opening remarks. You certainly did set the stage very well for this discussion.

And I'm delighted to be here with Peter McPherson. He's a great public servant. And I've had a friendship with him that goes back to my time as aid administrator. And he would call and give me a shoulder to cry on on occasion and sympathize with the tensions of that job.

And despite the fact that he ran an opposing Big 10 university, he's a friend still, to this day, even though his football team beat ours quite regularly.

I really thank you for your leadership on this. And I hope that we can move this to new legislation.

I believe it's been since 1985 that we've had an authorization bill on the foreign assistance side of this in any case, and it's badly needed. And I will get into that a little more.

Both the diplomatic and the development sides of the 3-D triad are underfunded and need help, if we're going to reach the balance that is called for in President's Bush's concept of national security. And I believe it's a concept that's shared across partisan lines, that we need a Defense Department that is strong, a State Department that's strong and a development mission that is strong.

I was reflecting on what I would say today. I have submitted formal testimony, but I will try to summarize that for you, Mr. Chairman. I was reflecting, though, on my period at AID in the 1990s.

It was the end of the Cold War, and there was a great deal of talk about a peace dividend. And the way that was translated was that my budget was cut quite considerably. And I had to go through a very difficult reduction-in-force at AID. I closed 27 missions overseas.

And it was happening at a time when the world was breaking down into very -- into smaller units, and there was a great deal of strife in the world. Ethnic differences were coming out. New countries were emerging in the Eastern bloc. And a great deal of religious conflict.

It obviously sounds very familiar today, because that's what's happening -- continuing to happen.

ATWOOD:

I found myself having written an article in The Washington Post saying, in essence, that our challenge, national security challenge, was that the world was disintegrating into societies and failed states that really weren't making it, and that that was becoming a major national security challenge.

A few weeks later someone wrote an article basically accusing me of basically suggesting that conditions rather than malicious human beings were the cause and that that was a false doctrine.

I think -- I never meant, of course, to say that malice wasn't a factor in the world, but that conditions, in fact, contributed to some malicious intent.

And today I don't think we have a debate over these issues. Today there are several studies that show that concentrated disadvantage -- in other words, poverty -- is a condition that makes violent conflict a lot more likely.

Our military professionals are bringing this to our attention, and I think that's why on both sides of the aisle we're paying a lot more attention to this. General Zinni and Admiral Leighton Smith recently wrote an article that said, quote, "Our enemies are often conditions." Secretary Gates, as you mentioned, has also called for a strengthening of the civilian capacity of government.

So the debate of the 1990s, it seems to me, is a settled question now, but then we're faced with what to do about it. I mentioned before that the Bush administration has proposed a balanced "3-D" national security strategy.

I agree with this. But two legs of that triad cannot perform their roles. And let me briefly sum up what I think we need.

First, I think we need a streamlined, more agile State Department that focuses on the diplomatic mission. And what is that mission? It's obviously solid analysis for policymaking, it's representation, it's negotiation and it's crisis management.

When I was the leader of the transition team, along with the secretary of state-designate, Warren Christopher, we put in place some efforts to streamline the State Department. It was just much too big. It was too difficult to make decisions. There were too many deputy assistant secretaries. We tried to push decision-making down to regional country directors and the like.

It continues to be overburdened, in my opinion, with too many functions that are not consistent with a diplomatic function. The consequence is that you have functional bureaus all over the State Department that need to sign off on a decision memo. It takes far too long to get a decision memo to the secretary of state.

Frankly, I don't want my secretary of state having to worry about contracting for PEPFAR. I want my secretary of state worrying about the crises that exist in the world and attempting proactively to prevent those crises.

So that's one thing I would do, and I suppose that's different from the perspectives of some.

But, frankly, I often have said this during the time when there were proposals to really merge AID into the State Department, said, you know, the secretary of state shouldn't have to worry about these kinds of issues.

In any case, that's one recommendation. The second recommendation is that AID or the entity that handles foreign assistance needs to be rebuilt. And it is broken, there's no question about it. Maybe the spaghetti analogy is a good one.

But there are too many agencies in this town that are doing foreign assistance that don't have people on the ground, that don't understand the culture that they're dealing with, who basically are pursuing their domestic mission overseas.

This means that basically we can't take a strategic approach, working with other donors, working with international organizations, working with recipient countries on country strategies and overall global strategies. And coordination is a major factor.

So I think that's one point I would make about what needs to be done. I'll get more into this in a minute.

Third, the development mission should always be in sync, no question, with the diplomatic mission. If in fact the development mission is the mission of prevention, undertaking sustainable development over long term, it means that the State Department will be reinforced and be able to handle fewer of the crisis situations.

But the more important aspect of this that most people don't focus on, it seems to me, is that we need a stronger voice for development in the international economic circles of government. And that means on trade and finance issues.

You're going to find it surprising that I say this, but development is overrated. Development is an essential ingredient in poverty reduction, but it isn't sufficient.

If we, for example, work with a country to improve its exports and its productive capacity and we deny that country access to markets, either in Europe or the United States, we're undercutting the development mission.

If we, for example, subsidize heavily our agricultural products, which we do, and we help countries to develop their own agriculture sectors, basically we're contradicting ourselves. We're not achieving coherence in policy.

Now, I don't expect that some of these issues that are obviously domestically and politically very sensitive are going to be won by an aid administrator who's arguing the case for the developing world in the councils of government. But what I would expect is that at least that argument should be made. Because poverty cannot be alleviated and poverty is a very serious national security problem that cannot be alleviated unless there is more coherence of policy with respect to how we deal with those developing countries.

It can't just be development that reduces poverty; it has to be a combination of development, more enlightened finance policies that enable countries to grow and to create a productive capacity, and trade policies that make sense.

Now, all of this leads me to conclude that a new cabinet department for international development cooperation is needed.

But I agree with you, Mr. Chairman, that form should follow substance, and we should focus on the substance here. I also believe very strongly that it's the president's prerogative to propose how he wants to organize his government.

Obviously, some of this will require congressional approval. And it has to be a convincing case that is made.

So we should put off this question of what the structure should be and focus on what the substance should be at this point.

And that leads me to my last point, which is that you in Congress can help this process along by passing a new mandate for both the State Department and for AID, a new authorization bill.

Now, I've been very encouraged to see the debate over the Millennium Challenge Corporation. I supported that as a means of getting more money into poverty reduction efforts, but the eligibility criteria that were developed for the MCC, about 16 different criteria -- maybe there are too many there -- but they represented sound development thinking, and there was bipartisan support for that.

So perhaps taking that, maybe consolidating some of these, and creating goals is the best way to approach this.

At the current time, the message that the Congress is giving to AID and other bureaucracies downtown is spend the money. We ask you to spend it on this, that and the other thing.

It's impossible, therefore, to take a strategic approach. It's basically a concern about outputs. There's less concern about results, despite the Government Performance and Results Act.

And it seems to me that Congress should be much more concerned about holding the executive branch accountable for results. And you have an opportunity with a new authorization bill, it seems to me, to focus on the broad strategic goals of what our poverty reduction mission or development mission should be. And I strongly recommend that you continue to pursue this.

I have one more point on this, though. There are -- every development mission overseas obviously has to assume some degree of risk. Most of our development missions are in countries that are good partners to the United States in terms of pursuing development.

Occasionally, however, there are going to states wherein there are opportunities, but the government itself isn't a good partner. You think about some of these states today. We should be working, for example, with opposition forces in Zimbabwe, and we are, in fact.

ATWOOD:

There was a commission called the Fail States and U.S. National Security Commission, on which I served, a very important commission that indicated that we had to be making investments in risky countries as well. So there probably ought to be a separate account which basically encourages creativity and entrepreneurship as opposed to simple compliance.

And there are going to be risks in doing that, but it seems to me that it's part of our national security objective to try to deal with these difficult situations and try to avoid more failed states that can be exploited by terrorists, as we have seen.

Finally, Mr. Chairman, I hope that we will look at post-conflict situations and understand the role of each of these 3 D's in these situations. It should be the role of the Defense Department to provide security in these situations. It should be the role of the State Department to negotiate the disputes that exist, to try to find a peaceful resolution of the problems.

But it should be the role of AID, it seems to me, to provide humanitarian relief, to provide transitional assistance, through its Office of Transitions Initiatives, and eventually and as quickly as possible move into long-term development.

So at least with respect to post-conflict situations it seems a bit easier perhaps to define the missions of each of the three. Unfortunately, because of a lack of resources, DOD, the military, has been doing too many of the roles that the civilian agencies ought to do in these circumstances, and that has not worked out.

And in many cases we haven't provided the kind of security that would enable the civilians to do the job that they need to do in post- conflict situations.

Finally, it is an urgent problem. The poverty problem is growing. Forty-plus percent of the people in the world live in poverty. It is enervating, it is debilitating, it is destroying the international systems, and it is creating a great deal of anger and alienation.

That, in turn, turns to violent conflict.

The poverty situation is going to continue to grow. And, therefore, I think it's very urgent that you undertake this mission. And I would hope that by early next year, when we have a new administration, whichever party, it would be important for Congress to work with that with that new administration during the transition to come up with legislation and a structure, perhaps, that would make sense.

Thank you, Mr. Chairman.

BERMAN:

Thank you, Mr. Atwood?

MCPHERSON:

(OFF-MIKE)

BERMAN:

I don't think your mike is on.

Let me say, first of all, how much I appreciate the leadership of this committee, and our dear and good friend Tom Lantos and, of course, our ranking leadership here on getting the Simon bill through this committee in a bipartisan way, unanimous on the House floor, over on the House Foreign Relations Committee unanimously out of that committee, awaiting action there.

I think this is a visionary bill. And the academic community at large deeply appreciates what you've done.

Getting right into the topic at hand, I think it's worth looking back at why -- what's gone wrong over the last 20 years. And the '80s and '90s certainly weren't perfect, but there was, more or less, a settled agreement on how these agencies were working together and what they were doing. As I say, it wasn't perfect, resources and other things, but there was an understanding.

A series of things happened, and not necessarily in this order, because they overlapped. But the decision to have the work in Russia and the new republics in effect be controlled on a policy basis by the State Department and subordinating USAID to an implementer changed a lot within the agency.

Thereafter, there was the direct relationship AID had with OMB dramatically within a bureaucratic context affected what could be done.

We did some things to ourselves in the late, about 1990, AID, for reasons I cannot understand came to an agreement with USDA that AID would do Title II and USDA would do Title I, which was still a fairly big account back then. Previously there had been a little committee that worked it out with OMB. AID essentially had influence beyond, but gave up some degree of control over Title II.

Well, a number of steps like this, self-inflicted and done by others to AID, had a diminishing impact and a seriously demoralizing impact upon who we were and what we do.

At that period of time, there was a continual reduction. No administrator -- this was a very bipartisan thing -- no one administration, certainly no single Congress or minority or majority in any particular Congress. There was reductions of the personnel, the permanent personnel.

The distinction made in the first statement about permanent versus overall personnel is a very sophisticated point. You've got the foreign nationals, you've got the temps, you've got the contractors. It's a -- you have to really get into this. I would make the point that overall the permanent staff, Foreign Service officers and civil servant staff, has dramatically shrunk over the years. And I -- as I detailed in my written comments -- and I think that's had some very bad consequences.

One, we've cut back our missions abroad. Brian was mentioning some, but there's been others beyond that. We have moved essentially from an implementation agency -- we always had lots of contracts, but they were smaller and were overseen -- an implementation agency to a large contract agency.

MCPHERSON:

And that has many consequences in terms of coherence, in terms of ability to -- for Congress or the administration or anybody to make it work to best advantage, in my view.

Well, I could go on the histories involved, but the point really is that over a generation the agency as an administrative structure, competence to carry out a broad range of functions, and bureaucratic strength, which is always important in any big structure such as the U.S. government, will be significantly diminished.

Well, the question, so I think it is just excellent for Congress and a new administration to say, "OK, this is the problem, what do we do about it?" And my sense is there is some -- there's a lot -- there's more interest in this, the problem is seen more broadly than it's been over these 20 years. It was sort of the insiders that worried about this as opposed to a broad community.

What should we do? Well, we first -- we have to rebuild the personnel and the technology capability of the agency. As I understand it, the supplemental has substantial resources to begin that process proposed by the administration, supported broadly here in Congress.

I mean, it is really -- it's hard to imagine that AID has only two full-time people working as engineers and only 16 experts in agriculture, 17 in education. I mean, the list goes on. It just doesn't make any sense to have evolved in this fashion.

I think that we need to -- these need to be done however it's reorganized, in my view, so I would make these comments in that context. We need to rebuild those missions.

Now, it's interesting to think about the role of many of the European countries who have very centralized structures. They essentially provide their money either to the local government or to contractors and don't have many people on the ground.

The historical strength of AID has been that we had a number of people on the ground, understood the situation and the problems, and that other donors actually looked to us for understanding and have allowed us to essentially leverage our competence.

That has been diminished, but we still have some of that, and it should be built on.

Actually, I think that it's worth focusing on the fact that the U.S. government, despite the big increases in the last few years, our percentage of total global ODA is much diminished.

And, essentially, we are no longer sort of the gorilla that provides all the money. We are relatively small player in a much bigger world. And that's why the technical competence is even more important.

It can't -- it isn't fully applicable, but I've always been intrigued at looking at sort of the foundation-like model, a leveraging model, as more than just saying, "We're the money and we'll pay for it." And I think that's where we've come, and we haven't quite changed our mentality.

Well, regardless how you reorganize this, I do believe that the AID administrator should be a statutory member of the National Security Council.

I think that's the -- there's always going to be back and forth in whose got power in any given administration, and you need to have that person statutorily at the table, and that would truly help make sure you're involved in those issues.

I also think that there's a way that the AID administrator -- AID administration can have a deeper role with the World Bank and the regional banks.

Now, I've spent a fair amount time on bank issues as deputy secretary of Treasury -- and I suppose we all live with our experiences. I do think that the current structure in reporting isn't likely to dramatically change, the Treasury having that role with the banks. But I do think there should be statutory responsibility for AID to comment on projects in the country where AID has a presence that are before the bank boards.

I did some of that informally, which I know -- in the '80s, which I know had impact. Statutory responsibility for AID to do that and Treasury executive directors to those banks taking those comments seriously, in my view, would truly help everybody.

Now, let me get to the issue, which I know in some ways you can over-dwell on, but I believe is in the nature of figuring out a new understanding for the next generation of how these structures ought to work together is what to do about the reporting relationship.

MCPHERSON:

Now, I had, I know, a pretty ideal situation where formally I reported to the president, but early on I went to Secretary Haig and Security Shultz and said to them -- in turn, of course -- said to them, "I know I report to the president, but I'm not going to see him like you're going to see him, of course, Mr. Secretary, so I'd like to effectively report to you and come to your senior staff meetings every morning."

Well, both thought this was a fine idea, and that was the method in which we did it throughout that period. But I was -- I was always a separate agency, and I didn't report to my assistant administrators for Latin America, didn't report to the assistant secretary for Latin America, it was a relationship that worked. And I think that statutorily to have the administrator report to the secretary is fine.

Now, there is disagreement among some of the community about this, but I do think that the secretary needs to have that foreign policy oversight over the most significant piece of resources probably that the secretary may have, and, accordingly, I would accept that this is a good role.

But I would change other things. I would have PEPFAR report to the administrator of AID. I would have the secretary of state not be the chair of the board of MCC, but the administrator ought to be the chair of MCC, and refugees (inaudible) there's a lot of intricacies. I deal with some of this in my written comments.

Now, in any case, it's time to work out these issues to dramatically strengthen AID as an institution in both resources and powers in such a way that it can play the appropriate development role.

I could get into why I think the integration hasn't really worked, but I would conclude really that the structure as I suggest would be helpful. I know there is some difference of view in this, of course.

MCPHERSON:

Now, as to the State Department, I think when you look around the world and you think about, review history, a country cannot expect to be strong internationally unless it has a well-staffed foreign ministry or, in our case, State Department.

It's just like you can't have a strong government without a secretary of treasury and a ministry of finance that really functions. It's a real mistake not to have a powerful institution there.

And in our case, it means much more staff in a lot more countries, in my view, and a number of other things.

So I come here as a former AID administrator saying we need a stronger institution and secretary of state and department.

As to DOD, DOD, in my view institutionally hasn't tried to expand its functions as much as they've had the money, and State and AID didn't have the money. These are practical, thoughtful people that are right there on the ground trying to solve problems. And they could do them; State and AID couldn't. And so, there's been this mission creep that over a period of time I believe is a mistake, both for the Department of Defense, as well as State and AID.

My sense is that that's what Secretary Gates is saying in his statements and various other things.

Now, I, in Iraq, where I spent five months, those first five months, those dusty, hot months, which I'll remember forever, I had that team of bankers and finance, budget people, a wonderful group of people, and I lived and worked with DOD personnel, saw those young men and women on top of tanks. I can't get (ph) an appreciation I had never had before in seeing the competence and dedication of a group of people.

And it was clear to me that there were some things that we couldn't do, we, AID-State, couldn't do without that DOD help.

You perhaps will remember that in that early period we began the process, implemented fairly quickly, of converting the old tattered, torn Iraqi currency to a new currency. That was the product of the team that we had there.

But ultimately the conversion occurred, I mean, it was billions of dollars, all over the country. It was really quite a process. It took the ECUs (ph) to plan it. It was done in a few months there, implemented. There was not a significant loss. And it was because it was DOD and British forces that protected, guarded, made it work.

Our civilian plan, deep involvement, but it was DOD.

So there's a significant role for DOD, where they've got boots on the ground and in other ways. But it isn't long-term agricultural development or education planning or these kinds of things. And I believe most people would be first to say it at DOD.

But let me just say, Mr. Chairman, I think what you and Mr. Skelton and Lowey, Congresswoman Lowey, are proposing is excellent. I've been thinking for years now that

this isn't going to work unless there is a formal agreement, almost a treaty, between DOD and AID and State as to who is going to do what functions. We need that sorted out, and we need it sorted out soon.

MCPHERSON:

I would conclude by saying that this expectation of functions of these agencies has seriously broken down over the 20 years.

And now is the time, with a new administration coming in, with leadership in the House and the Senate that understand and wish to grapple with this, for you, in my judgment, the hearings work next year is important, but I hope that -- and my understanding is that this is your view as well -- I hope that in the months ahead, when things are a little calmer and Congress leadership may well stay the same in another administration, another after the election, that you can get together, talk with the foreign policy folks of each campaign and come together on these issues.

And I know that both Brian and I wish to be very helpful in a process where the development community and others that we work with can be helpful in making this happen.

If it doesn't happen, in my belief, over the next 12 months, we'll go around for the next four or five years having a bunch of issues that hinder what needs to be done.

It's good to be here, Mr. Chairman.

BERMAN:

Well, thank you both very much. You had a number of very interesting ideas. We're going to use your testimony here and your written statements to help us map out a strategy. And for the chair's intent, I have about 15 minutes of questions, so I'll yield myself five minutes at the beginning. And if you're willing to hang around for another. I do have to be in the speaker's office at quarter to one. So I know I'm leaving then. I don't know what the rest of you would want to do.

But we'll proceed around, and my hope is to have a chance for a second round, because I'll now yield myself five minutes.

For either of you, just I think for my education, perhaps for other members of the committee, when we talked about the diplomatic and development functions being pitted against one another -- and, Mr. Atwood, you spoke to that in your written testimony -- describe how the -- within the limited resources of the 150 international affairs budget,

how -- describe how it works since 1998 with how it worked before 1998, to the extent you can remember. I barely can.

ATWOOD:

Well, I think the problem during the '90s was that...

BERMAN You know, and the F process and...

ATWOOD:

Yes, yes.

BERMAN:

Just take a couple of minutes just to...

ATWOOD:

Yes.

BERMAN:

Give us a little tutorial on that.

ATWOOD:

Up until I left, OMB gave AID its own budget. We were a separate statutory agency and we had our own budget.

But we worked that budget through the embassies first where the country team basically came up with a country strategy. We came back. Our assistant administrators, people like Tom Dyne (ph), who's sitting here, would go over to meet with the assistant secretary of state for Europe and make sure that those budgets were coordinated and that we were basically getting the job done, with respect to the transitions that were occurring there in Eastern Europe and the former Soviet Union. So it was well-coordinated but it was still separate.

The problem was, though, that because up here it seemed like the budget committees would sort of use the 150 account as the place to plus-up the domestic accounts, the 150 account kept getting squeezed. That caused tensions, frankly, between State and AID because AID had money, State needed money, embassies were being closed, consulates were being closed. A lot of things weren't happening. And the State Department needs money to perform its diplomatic mission.

And given that its a crisis-oriented place, naturally they looked around government and where could they find access. And I think that's what caused a great deal of the tension.

Now the F process, as I understand it -- it happened after I left -- but basically puts a double hat on the AID administrator, and they look at all programs. And it's under the rubric of transformational development or transformational diplomacy.

And decisions are made largely in Washington about how that process will work, obviously, with the input from the country teams and the embassies around the world.

I don't think anybody believes that's working very well. Certainly, people at AID don't believe it's working very well. A lot of it is because the decisions are being made here, and there is less concern about long-term results than there is shorter term goals, which are -- it's natural for the State Department. And State Department is the dominant force.

So the question is, how do you protect the long term investments you make in sustainable development?

ATWOOD:

And I believe that it's very important to protect those assets, otherwise you'll never do it, you'll never make those investments.

I don't know whether that answers your question. Maybe Peter can add to that. But that's my perception.

BERMAN:

I have about 57 seconds left. If you could give your thoughts.

MCPHERSON:

Well, the F (ph) process became impossible. I mean, there were hundreds of categories of reporting and...

BERMAN:

That's the process now in place.

MCPHERSON:

Well, I think after the change of administrators, or undersecretaries, it got cut back some. It became a burden that no one could do. But it still seems a little too (inaudible) into it deep enough to truly understand it.

I do think that it makes sense and was the initial stimulus by Secretary Rice to be able to understand how much money you're spending for what, where.

And, frankly, that's very hard to do, and I believe that the F (ph) process, while I think most of it is overburdening, it certainly isn't the way you'd run a business, and I've run businesses. You don't break the back of the structure. But I think you have to know where your money goes.

BERMAN:

Thank you very much.

Yield five minutes to the ranking member.

ROS-LEHTINEN:

Thank you so much, Mr. Chairman.

Mr. Fortenberry's had a longtime interest in reforming and improving our foreign assistance programs, so I'm going to yield my time to him.

FORTENBERRY:

Thank the ranking member for the time.

And, gentlemen, welcome to the hearing.

I spoke with the former adjutant general of the Nebraska National Guard a little while back about an idea I had to create what we would call an American expeditionary diplomatic reserve corps.

In other words, to try to rethink the model in which we currently provide foreign assistance to develop surge-type capacity-building by tapping into the innovative spirit of Americans who -- many people who are in midlife want to do something but are past the point of joining the Foreign Service, don't work for a nongovernmental organization that could be contracted with USAID or under-contracted with USAID, it's too late to join the Peace Corps.

But nonetheless, on a temporary confine-type basis to allow the expertise, whether that's the expertise of a teacher or a farmer or an engineer or a banker, as you've mentioned, Mr. McPherson, in terms of your work in the provisional (sic) reconstruction teams in Iraq, to allow for a structure like that to tap into this vast, vast reserve of America ingenuity and real desire to participate -- heartfelt desire to participate in a humanitarian outreach in public service to the government.

The general warned me: He said, "Congressman, if you propose that be ready to receive a flood of resumes for people who would be very, very interested in this."

Now, we've got a measure that has been, is my understanding, attached to the defense authorization bill now but passed this committee that creates the civilian reserve corps, which I think is going to enhance this capacity building. But I think this is potentially a new model in how we ought to think about augmenting the work at State, USAID, as well as DOT.

And I'd like your comments on how the potential effectiveness of the civilian reserve corps concept or how we can broaden this in a way, again, to tap into a real desire among many Americans to do something.

But it has to be structured in a way in which they're capable of a temporary under authority, maybe then linked up by technology when they're back in the United States after a two-week stay in country, again, developing surge-type capacity with experts around the country and allowing people to integrate back into their normal lives but remaining in partnership as a reserve civil servant, basically.

BERMAN:

I am very strongly supportive of the reserve corps idea that Senator Lugar, Biden and others have been proposing. I hope it passes the Congress this year.

It does look, the kind of thing you're talking about, I believe -- I think that we ought to be expanding and pushing on.

the (inaudible) funding over the years, and activities with the executive corps. There's two or three organizations like this that send business folks who are retired or may take some time off to work with a tannery in Kenya or something.

I also think there's -- my colleagues and I at the academy have periodically talked about whether some of our 60-year-old professors might be willing -- who may not be as active in research as they once were, biochemistry or engineering professors, might be willing to staff up some of the South African universities, for example, that need huge staff infusions, particularly technical people.

I think it's a complicated set of issues. If you're not careful, it costs too much; you don't get enough out of it for anybody.

But, in principle, if you can link need and do it to people, there is -- as a Peace Corps volunteer as a very young man, I very much empathized with the idea that Americans wished to help -- it takes a lot to do it right, but I think this is a possibility.

ATWOOD:

Yes, clearly, there's...

(UNKNOWN)

Mr. Atwood, I don't want to take your time to respond. I've just got a few seconds left. But clearly, there would have to be some structure here.

Of course people do this already. Universities have exchanges. Other organizations, like the one you mentioned, do.

But to really give it structure, in terms of public service to it, but allow the flexibility for Americans who have this expertise but can't go overseas for extended periods of time but nonetheless could be linked to the partnering countries through the impressive use of technology that we have available to us, I think, is a concept, Mr. Chairman, if we could continue to reflect on, I think would be appropriate.

BERMAN:

Right, although we'll have to reflect on it on our own time...

(LAUGHTER)

... because the time of the gentleman has expired.

But I just would say, I'm interested in this. And at some point, maybe, Mr. Atwood can get his reaction in.

(UNKNOWN)

(OFF-MIKE)

(CROSSTALK)

(UNKNOWN)

He gets the next response.

(LAUGHTER)

BERMAN:

Well, the gentleman from Georgia will be asking it. Mr. Scott's recognized for five minutes.

Thank you very much, Mr. Chairman, and welcome to both of you.

Today we've got a very complex, a very volatile world. I think, also, that, for future peace in the world, it's got to come more from the State Department, from our missions, from diplomacy, as opposed to the barrel of a gun.

I mean, we are witnessing that, as we speak, today. Much of our problems are fears of culture change, culture shock, fear of globalization, terrorism.

At the same time, our State Department, USAID, are willfully falling short, in terms of being prepared to deal with the 21st century. Nowhere is that more significant than in personnel and training, and also in the convulsion of over 60 departments and agencies, oftentimes competing in the same area, overlapping.

I'd like to get your response on how we're going to address the personnel, the training, and how are we going to try to deal with this fragmentation?

There are 60 government units that are engaged in foreign aid. You've got 10 departments. You've got 20 agencies.

And then, finally, do you believe that, maybe, the best approach to dealing with this is to get a Cabinet-level position that would deal with bringing all of these jurisdictions together under foreign aid?

ATWOOD:

Thank you, Mr. Scott.

I think that we need to beef up across the board. The State Department will probably tell you we need more Arabic speakers. We badly need people who are culturally sensitive and with experience in various parts of the world, obviously.

And if we don't have a mission or a consulate in a particular city, then we simply have no ears. And we don't know what's going on there. And often, what's going on in a country isn't just happening in the capital city.

I also believe we need to have people on the ground that are working with the nationals of the country to bring about development change. It's so often, and I know Peter has seen this as well, that our people, AID people, seem to know more about what's going on, at least at the grassroots level than, sometimes, the political officer at the embassy, that's dealing mainly with the foreign ministry.

So we need to have -- if we're going to be anticipating problems, we need to be looking at the people who are shaping the politics of the country at the highest levels and leveraging for power, and we need to also understand what the fault lines are under the surface.

And that often comes to be the role of the people who are working at the AID mission. And of course AID missions are benefited greatly by having Foreign Service National employees who are nationals of the country. And so, they get a really good perspective of what's happening in these countries.

SCOTT:

Mr. Atwood, my time is moving short, but let me just ask you this because you have great experience. You go all the way back to the last quarter century. And I won't tell your age, but certainly, going back as far as the Carter administration.

So from your experience and perspective, are we making the necessary steps? What recommendations would you make to this coming in new administration to address these problems?

ATWOOD:

Well, first, I think that I'm pleased that both candidates are internationalists. And I believe that both will be looking seriously at this problem, whoever is elected. I have my preferences.

But my recommendation would be that we need to take some major steps to show the rest of the world that we're going to re-engage, that international cooperation is going to be the theme of our foreign policy.

ATWOOD:

And I think to some extent that overcomes some of the issues that we've had in the last six or seven years.

And that's why -- one of the reasons that I strongly endorse -- and, again, the way I analyze the substance, it comes out suggesting that we should have a new department for international development cooperation -- the word "cooperation."

What a wonderful gesture if the new president were able to announce something like that. It would be sending a signal to the world that we want to work with people, with international organizations, with developing countries and the like.

So that's my suggestion. And others will disagree. And I don't disagree with what Peter -- it's a lot better than the system we have now. He and I have both suggested this in our letter to the HELP (ph) commission.

So whichever way the president decides, I think it's important to get the substance right.

(CROSSTALK)

(UNKNOWN)

Well, I hear the tap of the chairman.

Thank you so much.

ATWOOD:

Thank you.

BERMAN:

Thank you very much. Hang around. We'll come back for more.

The gentleman from Texas, Mr. Poe.

POE:

Thank you, Mr. Chairman.

Thank you both for being here.

Mr. Atwood, I want to follow up on a comment you just said, that our theme in the future, in your opinion, should be international cooperation.

Can you make it simple as to what you think our foreign policy is now? What would you characterize the theme of American foreign policy?

ATWOOD:

I think that the theme has shifted a great deal in the second Bush administration. I think that the first Bush administration it was a lot of, "We're the only superpower, and therefore we can get things done and we don't need to have a lot of help." But it's shifted.

And I give Secretary Rice a lot of the credit for that. I think things have moved.

We're trying to work through multilateral organizations. So increasingly its becoming a theme of cooperation. And some progress has been made. But there's a good deal to overcome.

ATWOOD:

And Iraq is a big thing that has to be overcome.

POE:

The Foreign Service, people in the Foreign Service are to be commended. I've seen them work overseas in some tough situation. And I've understood that the Foreign Service specifically is engaging in a program to hire folks who -- this is not their first

rodeo, so to speak. They in the civilian sector come from somewhere else, they're in their forties, maybe early fifties.

How is that working out, in your opinion? Either one of you could comment on that.

ATWOOD:

Well, I was, in addition to many of the other things I did, I was dean of professionals studies at the Foreign Service Institute training people. And it is true: The average age of newcomers into the Foreign Service has increased, the amount of experience they have. I think it's really benefited greatly. And a lot of people are attracted to serving their country overseas, and I think it's a good thing that we're taking people in at the mid-career.

POE:

And what about former military? Do you see a place and an effort to recruit former military in different parts of the Foreign Service or civil servants that work overseas?

ATWOOD:

I just might say one thing. I've worked with several former military in the Foreign Service. If there is a criticism I would have as the former undersecretary of management for the State Department I would say that management needs a good deal of help. And whenever we've seen former military come in, they really know how to manage systems and programs.

And I think that's why the State Department should be recruiting those 50-year-olds that are getting out of the military. That's a good source.

MCPHERSON:

This isn't directly responsive to your question, but I think that we need a Goldwater-Nichols piece of legislation between AID and State. When you look back over, what, it's been 20 years almost since Goldwater-Nichols, and it clearly had an important impact on the services working together. I'd like to see that for State and AID.

POE:

Thank you both for being here.

Mr. Chairman, I yield back the remainder of my time.

BERMAN:

Thank the gentleman.

Now the gentleman from California, Mr. Costa, is recognized for five minutes.

COSTA:

Thank you, Mr. Chairman. I do appreciate the opportunity to have a thoughtful discussion, especially in light of, as both witnesses acknowledged in their testimony, a new administration coming to town next year and an opportunity for a fresh look and what will be a new start, obviously, on a host of very challenging international issues that America's foreign policy faces.

You know, I'm reminded of the fact, as many of us in this committee have gone to the Middle East and South Asia and Africa and other parts of our troubled world, and we think about some of the rhetoric and the debate in the 2000 election about whether or whether not we were going to be into nation-building.

I remember that somewhat clearly. And the argument, it seemed to be, was, well, you know, what the role should or should not be as our foreign policy as to whether or not we should into the business of nation-building.

And I would argue, seven years later -- seven-and-a-half years later -- that we are into nation-building big time and to a far greater extent than, certainly, this president was willing to acknowledge when he was running for the office.

Having said that, it just seems to me when we look at the tools that we've used over the last seven years, i.e., the State Department, the Department of Defense, USAID, which I witnessed last year in Darfur, doing a tremendous job, a tremendous effort under very difficult circumstances.

I'd like to ask both of you to comment on -- and you did in your testimony -- but how you would really see in 2009, in this new start that whichever administration comes to town will have to take in terms of how we separate the roles more distinctly, more clearly, to deal with the role that USAID provides or has traditionally provided and where we can make sure that our Department of Defense, our military, does what it does best, but I'm not sure nation-building is one of them, and what the role ought to be for the Department of State with the challenges it undoubtedly will be facing.

Mr. Atwood, do you want to take the first shot at that?

ATWOOD:

Yes, sir. First, in a post-conflict situation, the most important thing to accomplish initially is getting a security umbrella so that the good work can be done to bring about a smooth transition.

I would rather -- if there are security aspects, if it's important in maintaining that security for the military to build a road, because they need to get tanks or trucks down the road, to provide security...

COSTA:

I understand they're building roads and schools and water systems...

ATWOOD:

Well, I don't see them -- I don't want them building schools and water systems, because that's not really their function, because to do those kinds of things, you have to be working with the civilians on the ground, in the country and they would much prefer to be working with civilians from another country, rather than the military force that's occupying their country. So there I see a distinction.

I mean, I'm saying building a road is an exception, if you can justify it on security grounds, but not to do the kind of transitional development work that needs to be done, it seems to me, by civilians with civilians from their country.

So that I see is the role, providing humanitarian relief. We bring in a lot of nongovernmental organizations, many faith-based, who don't want to be working with the military. They want to be working with a civilian agency.

COSTA:

But do you think there needs to be a reorganization between the roles of State and Defense in terms of how we take on this task in a more structured way, a clear way?

ATWOOD:

Well, I think there is legislation that the chairman and Mr. Skelton and Ms. Lowey are working on that I think makes a lot of sense, that, as Peter suggested, a new treaty on how to do this.

COSTA:

Mr. McPherson?

My time's running out.

MCPHERSON:

I think unless this is formalized in some way, where the bureaucracies really come to understand or are given directions that except under extraordinary circumstances, this is what they're each going to do.

And you're going to have to back that up with resources. The DOD's got the money to build the school, and AID doesn't, it's going to be built by DOD.

And that's fundamentally the issue. It's both money and form. I think it is not practical to expect Department of Defense to develop the expertise to understand that it isn't just building a new school, it's how that school fits into an overall education (inaudible) and so forth.

COSTA:

Right.

MCPHERSON:

So I am all for -- I'm all for an agreement. And I think that the very happening of this hearing and the committee's actions to sort this out is very important for the country.

COSTA:

My time's expired. But I think a clarity of responsibility is clearly what we need.

MCPHERSON:

Good for you. Just what -- I mean, it's an organizational matter.

BERMAN:

The time of the gentleman has expired.

I can see if DOD is a pass-through agency.

The gentleman from Arkansas, Mr. Boozman?

Would you yield to the ranking member?

ROS-LEHTINEN:

Thank you so much. Thank the gentleman and thank the chairman.

I have two rapid-fire, but complex questions. You can answer anyone that you wish.

The secretary of state has announced that the State Department personnel will not receive training and development.

If that's the case, does it undermine the rationale for a separate aid agency and a clear demarcation of duties between State, AID, DOD, as our witnesses have noted.

And, secondly, what is your view on region focus versus country- specific assistance programs?

ATWOOD:

I'll go first. First, I think it's important for the committee to understand that people who want to do development work are very different from people who want to do diplomatic work, despite the fact that I've been in both places.

Development people want to be on the ground. They don't mind if they have dirt in their fingernails. They are, in many cases, former Peace Corps volunteers. They love that kind of work. They probably don't want to be diplomats, although periodically some of them become ambassadors.

People who are in the diplomatic service are very smart, they're very -- and both sides -- people in development business are very smart too, but they understand it's a different profession is the point I'm trying to make. They are trained to be negotiators. They're trained to represent their country. They're trained in the diplomatic arts.

Now, I think both sides ought to know more about what the other side does, so I don't mind that kind of cross-training. But I just don't -- I think you're trying to force

something to happen in basically saying that they're interchangeable. That isn't natural, and won't happen. So that's...

ROS-LEHTINEN:

Thank you.

Mr. McPherson?

MCPHERSON:

I think that both agencies should receive broader training, both in development and in foreign policy and related matters.

Both have -- you can't -- those functions can't be easily separated. So you have both that are trained.

I mentioned Goldwater-Nichols a few moments ago. I think this would be really important if we could put that in place and had enough people to do it.

As to regional versus country, it really has to be both.

MCPHERSON:

And, unfortunately, this budgetary process, under F, has been totally focused on countries. And under MCC, by law, they can't spend regional money, where malaria isn't a country problem. It's a regional problem. Developing new sorghum is a problem of the Sahel, not the countries.

It's an important step that has to be taken. So it's both. And we, too much, have only country now.

ROS-LEHTINEN:

Thank you. Any other remarks from either of you?

ATWOOD:

Many -- the hope of many of these countries in regions in poor areas -- and you mentioned the Sahel, the West Africa region.

The hope is that they can cooperate regionally, that they can open their borders for trade, that they can do things together. Because, individually, these countries won't make it on their own.

So some do something better than others. We tried, in the East Africa region, the countries that can produce more food, to sell that food to countries that can't produce the food.

So we've created a regional office -- when I was there -- in southern Africa and one in East Africa. And I think it's really important to look at it from a regional perspective. And it often doesn't happen because of the reasons Peter mentioned.

ROS-LEHTINEN:

Thank you so much, Mr. Chairman.

BERMAN:

The time of the gentlelady has expired. The gentlelady from Texas, Ms. Sheila Jackson Lee, is recognized for five minutes. And I do point out -- I'm sad to say that we now are starting -- we have 11 minutes left on a series of, I think, starting four votes. But you have five minutes, so...

JACKSON LEE:

Thank you. That's just the ad hoc ring.

Mr. Chairman, thank you very much. And let me, with two hearings going on, apologize for not hearing the testimony.

But I think this is one of the most vital hearings of how we reconfigure ourselves and how we make the work that many valiant Americans do, every single day, around the world, count even more than it has traditionally counted over the last, say, eight years, in order to make good on our promise of trying to change the world.

I frankly like the idea of a Cabinet-level position for coordination of development. I also like the idea of a creation of a department of peace, which I've not heard you gentlemen discuss. It is not the exact question of this hearing, but it is diplomacy.

And it means that there is some augmentation of the work dealing with democratization piece, recognizing the ability to confront issues without bullets and guns, but to try and focus on educating people about their needs.

JACKSON LEE:

So let me pose questions.

I saw the impact -- for example, one of our most difficult challenges is Pakistan in terms of having the people themselves accept the friendship of the United States, because they have thought that all of the work that we've done has been military base work.

Our most favorable posture was when we went in with the Black Hawks during the time of the -- during the time of the earthquake, and we were very effective in getting the hearts and minds of people, but obviously they were devastated, it was not longstanding.

How do we craft our development assistance not from a selfish perspective, but from a real perspective? I don't think parents give gifts at Christmas time to children to in essence create love, but it is to enhance the affection and the excitement that children have as part of the family.

How do we take development assistance and be corrective, but also build the building blocks of friendship, longstanding relationships, democratization, viewing the United States' infrastructure as being an important infrastructure? How do we do that? Can you give me again your point about a Cabinet-level? And if you have any comments on a department of peace, which takes the other part of the issue, I would appreciate it.

You want to start, Mr. Atwood?

ATWOOD:

Thank you. It's very nice to see you again. We traveled to Africa together, I think, on one occasion.

JACKSON LEE:

Yes, we did. Thank you. Welcome.

ATWOOD:

I think the key word here is cooperation. We did in the Clinton administration tried to emphasize what we called participatory development, and we insisted that our missions negotiate with the entities they were working with what we called results packages, basically a contract saying we can achieve the following results and we can do this together.

I think most people in the development business understand that unless the people of the country are participating with you, nothing gets done.

I mean, most of the development challenge is to get good cooperation from the country itself. So listening to people carefully and letting our program define itself. And that's been difficult, because, believe me, the people in other countries know what our earmarks are here, they know where our money is.

And so they tend to sort of organize themselves to go after the money, the pots of money that they know are there, as opposed to really thinking about what their needs are.

So I really hope that this committee will look at an authorization bill that provides broad strategic goals and we can get beyond this earmark issue.

We're never going to get totally beyond it, but the fact of the matter is that we need a different, new approach to this.

JACKSON LEE:

Thank you. I've going to have to yield to Mr. McPherson because of my time.

Thank you, Mr. Atwood. I look forward to working with you on that.

MCPHERSON:

I will be very brief.

One is we need the capacity to really listen to the countries, that we don't understand all the issues in Washington clearly. We all know that.

I think the MCC mechanism is very interesting. It isn't applicable to everything, but it's a reflection of let's change and let's listen. And you can see some good things coming out of that, in my view.

Two, I don't think -- I don't what's important on the Cabinet department versus an infinitely stronger AID is that we get the issue settled. And I believe that there's -- we can settle it, you all can settle it, but I think there's a real possibility you won't unless the kind of leadership I know you'll exercise.

BERMAN:

The time of the gentlelady has expired. I know you had an additional thought. We're going to have opportunities to hear those additional thoughts.

JACKSON LEE:

I thank the chairman, and I look forward to this great solution. Thank you.

BERMAN:

I'm going to yield myself five minutes. We only have two minutes, because we have to be voting in six or seven.

I'm not going to be able to do what I wanted to do, was go through a series of questions with you, because we have four votes, it's going to take at least 40 minutes. We were delayed an hour because of our Democratic caucus.

But here are some of the issues I had hoped to explore with you and would like the opportunity to, and I'll just throw them out to you now.

Peter, I didn't have a chance to read your testimony before I came here, and I'm going to do that after the hearing, but I did Brian's.

And on the one hand, Brian -- Mr. Atwood -- we talk about -- you talk about sort of the standards for countries we should be working in, the MCC guidelines, the goals. And to me that's very appealing, it's almost a merit test. It's sort of a this is where the assistance will do the most good because on a variety of different criteria we have a government that is going to make the best use of this kinds of assistance, has the best process, the best governance, as well as the demonstrated needs.

At the same time, you talk about we got to still -- it's almost the counter theory.

BERMAN:

The issue of poverty alleviation -- put aside the humanitarian -- short-term humanitarian crisis, but the poverty alleviation goal here is so important that, in many cases, we have to work with countries that aren't going to meet the criteria put forth in the Millennium Challenge program.

And I guess my questions, which you don't have time to answer, are, one, I'd love to hear you, sort of, reconcile these, sort of, different views.

And secondly, I'm wondering, to what extent are things we do in the aid delivery area, where governments aren't performing well -- are they short-term benefits that don't sustain themselves? And therefore do we have to make tough decisions with the limited

resources we're going to have, no matter how much we can take out of the DOD budget for rebuilding capacity?

Are there things that we would have to -- that have crying needs, but we're going to have to forego because, whatever we do to address them, because of the nature of the governance in that country, they're going to be fixes that don't last and don't have long-term benefits.

And then, the other conflict which both of you are very familiar with is the huge number of initiatives that come out, from the president, from outside groups that care deeply about things and come to members of Congress.

You have PEPFAR, obviously; HIV/AIDS was a pressure that came from many different places; the president's clean energy initiative; the president's initiative to end hunger in Africa; avian influenza; the president's malaria institute; the old fight about how much should go into child survival; the global education programs.

What is the process by which we can deal with our, I think, institutional desire to have input into how -- into priorities, and at the same time, reconcile the priorities, each of which is compelling on its own face -- and the further exploration of the earmark area, where less about an initiative than about a country, and the push for that.

BERMAN:

Whatever we do is not going to be absolute, one way or another. This body will not be capable of avoiding any earmarks. And if everything some member wants is earmarked, there'll be nothing left for any sort of executive branch decision-making in terms of authority.

So these are -- these are concerns I have, as well as the other issue: aid as the grease to smooth a bilateral relationship on the economic side, forget the military for a second, the economic aid, and how we reconcile the role of that kind of bilateral program.

Take Egypt or Pakistan or any of those things, and ways in which we can make sure that assistance, even if it's the necessary grease, does provide the sustainable, long-term benefits to the people of that part of the world and therefore ultimately does serve both our humanitarian interests, but our national security interests.

These are the things I wanted to explore with you. If you want to, we can pursue it informally. If you have thoughts on these and you'd want to develop more for the record here, we can do it either way.

But with that, I'm going to have to recess this, or I'm going to miss the vote.

MCPHERSON:

Thank you, Mr. Chairman.

BERMAN:

Thank you.

ATWOOD:

Thank you.

BERMAN:

Thank you both very much.

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