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A RELIANCE ON SMART POWER—REFORMING THE FOREIGN ASSISTANCE BUREAUCRACY

HEARING

BEFORE THE

OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE, AND THE DISTRICT OF COLUMBIA SUBCOMMITTEE

OF THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

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CONTENTS

	Page
Opening statements:	
Senator Akaka	1
Senator Coburn	2
Senator Voinovich	3

WITNESSES

THURSDAY, JULY 31, 2008

Richard L. Greene, Deputy Director of U.S. Foreign Assistance, U.S. Department of State	4
Leo Hindery, Jr., Former Vice Chairman, Commission on Helping to Enhance the Livelihood of People Around the Globe (HELP)	18
Gordon Adams, Distinguished Fellow, Henry L. Stimson Center	20
Anne C. Richard, Vice President for Government Relations and Advocacy, International Rescue Committee	23
Samuel A. Worthington, President and CEO, InterAction	26
Gerald F. Hyman, Senior Advisor and President of the Hills Program on Governance, Center for Strategic and International Studies	28

ALPHABETICAL LIST OF WITNESSES

Adams, Gordon:	
Testimony	20
Prepared statement	60
Greene, Richard L.:	
Testimony	4
Prepared statement	43
Hindery, Leo Jr.:	
Testimony	18
Prepared statement	54
Hyman, Gerald F.:	
Testimony	28
Prepared statement	94
Richard, Anne C.:	
Testimony	23
Prepared statement	75
Worthington, Samuel A.:	
Testimony	26
Prepared statement	81

APPENDIX

Background	103
Speech by Secretary of Defense Robert M. Gates, entitled "U.S. Global Leadership Campaign," July 15, 2008	112
Charts	117
"Improving US National Security: Options for Strengthening US Foreign Operations," working paper by Anne C. Richard and Paul Clayman	120
"Proposed Major Components and Organization of a Cabinet-level Department for Global and Human Development," Policy Paper from InterAction, June 2008	144
"Revamping U.S. Foreign Assistance," December 10, 2007, submitted by The HELP Commission	159

Page

Questions and Responses for the Record from:
Mr. Greene 181
Mr. Hindery 221
Mr. Adams 227
Ms. Richard 231
Mr. Worthington 237
Mr. Hyman 248

A RELIANCE ON SMART POWER—REFORMING THE FOREIGN ASSISTANCE BUREAUCRACY

THURSDAY, JULY 31, 2007

U.S. SENATE,
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE, AND THE DISTRICT OF COLUMBIA,
OF THE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:05 p.m., in room SD–342, Dirksen Senate Office Building, Hon. Daniel K. Akaka, Chairman of the Subcommittee, presiding.

Present: Senators Akaka, Voinovich, and Coburn.

OPENING STATEMENT OF SENATOR AKAKA

Senator AKAKA. I call this hearing of the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia to order. I want to welcome our guests and our witnesses as well, and thank you for being here today.

This is the fourth in a series of hearings exploring the effectiveness and efficiency of government management of our national security. The first hearing looked at reforms of the U.S. export control system. Subsequent hearings examined the management and staffing of the arms control, counterproliferation, and nonproliferation bureaucracy at the Department of State. Today we focus on our foreign assistance programs.

Foreign assistance includes economic development, security, humanitarian, disaster response, health, and governance programs. We have helped other nations through our foreign assistance programs for over 60 years. During the late 1940s and early 1950s, countries in Western Europe benefited from the Marshall Plan as they rebuilt themselves after World War II. President John F. Kennedy signed the Foreign Assistance Act into law in 1961 in response to the American desire to help others.

Foreign aid programs continue to be a vital part of our foreign policy strategy. The devastation of September 11, 2001 was a demonstration that what happens in failed states can bring terrible tragedy to Americans. Al Qaeda was free to plot in one failed state—Afghanistan. Our national security depends on how well we help failed states recover.

In the words of Secretary of Defense Robert Gates, "organization charts, institutions, statistics, structures, regulations, policies, committees, and all the rest—the bureaucracy, if you will—are the nec-

essary pre-condition for effective government. But whether or not it really works depends upon the people and their relationships." Policy is not enough. Organizations and people do matter. Good policy depends on capable organizations.

Without objection, I will introduce the entirety of Secretary Gates' speech into the record.[1]

My primary goal in this hearing is to identify possible recommendations for improving the foreign assistance bureaucracy. The key components I ask our witnesses to address in their remarks are the human capital, management, coordination, and structural challenges that reduce the effectiveness and efficiency of U.S. foreign assistance.

We need to ensure that we have an organization with the capacity to support the foreign assistance policies of this Administration and the next.

In 2006, Secretary of State Condoleezza Rice announced a new direction for U.S. foreign assistance in order to align U.S. foreign assistance programs with the Administration's foreign policy goals. Secretary Rice announced the creation of a new Deputy Secretary level position, the Director of Foreign Assistance, who would also serve at the same time as USAID's Administrator, although this has not been established in statute.

This new foreign assistance bureaucracy confronts a number of challenges. An overview of some of the core problems—and there are three charts[2]—can be seen in these charts: The steep decrease in USAID Foreign Service Officer staffing from 1967 until today; the fragmentation of foreign assistance among many agencies and programs; and the amount of development assistance not under the direct control of the Director of Foreign Assistance.

The challenges are clear. We need to design a national strategy for foreign assistance with a clear mission and the means to accomplish it; streamline aid programs to ensure effectiveness and efficiency; simplify foreign assistance since there are too many programs, in too many departments, chasing too few dollars; reduce the role of the Department of Defense in foreign assistance as their involvement may come at a cost of supporting their own core mission; and finally, we need to improve USAID's human capital because its current staffing and training levels do not support its worldwide requirements adequately.

Clarifying the key foreign assistance organizational and human capital issues will help the next Administration better focus its efforts and further strengthen U.S. national security. I look forward to hearing from our witnesses on these matters.

May I now call on Senator Coburn for any statement he may have.

OPENING STATEMENT OF SENATOR COBURN

Senator COBURN. I will not make an opening statement. I have a history of being very interested in the subject on how we carry out our USAID projects as well as the people involved with it, and

[1] The speech by Secretary Gates, entitled "U.S. Global Leadership Campaign," July 15, 2008, appears in the Appendix on page 113.

[2] Charts referred to appear in the Appendix beginning on page 117.

I look forward to hearing our witnesses testify, and I thank you for the hearing.

Senator AKAKA. Thank you. So glad you are here.

Senator Voinovich.

OPENING STATEMENT OF SENATOR VOINOVICH

Senator VOINOVICH. Thank you, Senator Akaka. We appreciate your convening today's hearing to examine our foreign assistance structure.

As a senior member of the Foreign Relations Committee, I have had the opportunity to meet regularly with international leaders to advance our public diplomacy. As the United States seeks to advance its interests and promote global stability, the delivery of foreign assistance in a timely and consistent manner is crucial to our efforts to support democracy abroad.

Our current framework limits the return on our investment. Many would be surprised to learn that our foreign assistance structure spans 26 agencies and offices. The Department of State and the U.S. Agency for International Development control just over half of our development assistance and in 2008 will provide more than $24 billion to 155 countries. Without an orchestra leader to direct our development program and integrate existing agency silos, we limit our collective ability to strengthen the third pillar of our National Security Strategy.

Now, critics have described our current aid structure as fractious, cumbersome, and rigid, a relic of the Cold War. While the creation of the F Bureau was well intended, most agree further reform is necessary. It seems to me that our development goals could be more easily accomplished if all partners involved sat down and crafted a comprehensive foreign assistance strategy.

Compounding an inefficient structure is a lack of an adequate number of trained personnel to administer our foreign aid structure. The forthcoming report by the American Academy of Diplomacy, which I am proud to be part of, will show that the USAID currently has 2,200 personnel who administer more than $8 billion annually in development and other assistance following cumulative staff reductions of nearly 40 percent during the last two decades. While the average Federal contracting officer oversees an estimated $10 million in contracts, the average USAID contracting officer is responsible for approximately $57 million.

Our foreign aid is intended to ensure stability and prosperity overseas. We also hope that our investment will help us to win the hearts and minds of those we are trying to help. In 2007, the program on internal policy attitudes reported that 20 of the 26 countries, including many who receive millions of dollars of U.S. foreign assistance, felt the United States was having a negative influence on the world.

Unfortunately, these numbers are the lowest ever recorded. While Secretary Rice is to be commended for her transformational diplomacy and initiative, it is clear that we have got to do more. Secretary Gates also encouraged us earlier this month to strengthen our civilian institutions of diplomacy and development.

I hope today's hearing will result in a foreign assistance structure that is well managed, supported by highly skilled individuals

committed to public service, and funded in a manner that allows us to use our foreign policy tools more effectively to meet the challenges of our rapidly changing world.

Thank you, Mr. Chairman.

Senator AKAKA. Thank you very much, Senator Voinovich.

I welcome our first witness to the Subcommittee today, Richard Greene, Deputy Director of U.S. Foreign Assistance, Department of State.

It is the custom of this Subcommittee to swear in all witnesses, and I would ask you to please rise and raise your right hand. Do you solemnly swear that the testimony you are about to give this Subcommittee is the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. GREENE. I do.

Senator AKAKA. Thank you very much. Let it be noted in the record that the witness responded in the affirmative.

Before we start, I want you to know that your full statement will be made part of the record. I would also like to remind you to keep your remarks brief given the number of people testifying this afternoon.

So, Mr. Greene, will you please proceed with your statement?

TESTIMONY OF RICHARD L. GREENE,[1] DEPUTY DIRECTOR OF U.S. FOREIGN ASSISTANCE, U.S. DEPARTMENT OF STATE

Mr. GREENE. Thank you, Mr. Chairman, Senator Voinovich, and Senator Coburn.

First, I would like to point out the irony of talking about reforming the foreign assistance bureaucracy, and both the Chairman and the Ranking Member included quotes by Secretary Gates in their opening statements, and I have a quote by Secretary Gates in my opening statement. I think it is a sign of the times.

The degree of turmoil and poverty in the world poses both challenges and opportunities for our foreign assistance programs. Our goal of improving lives around the world is consistent with our national security goal of making the world a more secure place. By addressing the long-term conditions that lead to despair and instability, development takes its place alongside diplomacy and defense as key components of our National Security Strategy. Today we must ensure that each of our major foreign policy tools works together to achieve results that promote our development, humanitarian, and national security goals all around the world.

Under Secretary Rice's leadership, we have invested considerable effort to begin to improve the coherence and effectiveness of our foreign assistance architecture. Our overall approach has many features. These include adequate funding levels; the creation of a new structure to coordinate USG strategic and operational planning, integrated budget formulation and execution; a bigger and better trained and supported workforce—we are trying to turn that trend around; a focus on country needs in our planning and budgeting; better expanded civilian-military coordination and delivery; expanded public-private partnerships; and a new rapid response capacity through the Civilian Response Corps. These are all works in

[1] The prepared statement of Mr. Greene appears in the Appendix on page 43.

progress, and in my opening testimony, I would like to focus on just three components.

First, regarding funding levels, there are numerous recent examples where we, the Administration, you, the Congress, as well as our stakeholders have worked closely together to provide the development funding commensurate with the challenges and opportunities that exist around the world. Consequently, the U.S. Government has nearly tripled Official Development Assistance since 2001. Of course, the signature program of that growth is PEPFAR, and yesterday the President signed into law a bill reauthorizing a second-year program with very strong support from the members of this panel that we are most appreciative of.

We have also significantly increased our investments in other key development areas, such as health, education, economic growth, and governance. And I think both Congress and the Administration can take pride in the significant resources and the focus on results that we have provided to important programs that are transforming lives and making our world more secure.

Second, we are reforming the foreign assistance planning and allocation process. As you pointed out, Mr. Chairman, 2 years ago, Secretary Rice reviewed our current structure and frankly, she did not like what she saw. She saw fragmentation, duplication, no clear lines of authority, inadequate data transparency, and she had a hard time getting any answers to any basic management questions about what we are spending, where we are spending it, and what are the purposes.

Consequently, Secretary Rice established the position of Director of U.S. Foreign Assistance, and you have talked about what that position is all about.

To carry out its mission, the new organization has developed several new, and I think important, tools. These include a Foreign Assistance Framework as an organizational tool to describe a broad range of foreign assistance programs, a set of common definitions, standard indicators, and country-level operational plans that describe how resources are being used and how results will be measured.

The office is also focused on integrating State and USAID foreign assistance efforts and developing a country-specific focus, and for the first time, the Administration has submitted an official foreign assistance budget that fully integrates State and USAID requests for individual countries and program areas.

We are also working to incorporate non-State and USAID foreign assistance programs, a subject of your chart on the far right. For example, we are piloting a strategic planning process where stakeholders from across the U.S. Government are working in Washington and in the field to develop U.S. Government-wide country-specific foreign assistance strategies.

Finally, I want to mention operational support. Successful foreign assistance reform depends on our ability to rebuild USAID's core development capacity. My Secretary of Defense quote is where he said, I think about a month ago, "It has become clear that America's civilian institutions of diplomacy and development have been chronically undermanned and underfunded for far too long—relative to what we traditionally spend on the military, and more

importantly, relative to the responsibilities and challenges our Nation has around the world." Simply put, we need more better trained and supported people to work in new ways to support the achievement of U.S. Government development objectives. Staffing has not grown commensurate with the tremendous growth in programs and funding levels and challenges and degree of operational complexity. USAID's workforce and infrastructure must keep pace.

Consequently, Administrator Henrietta Fore launched a 3-year plan to double USAID's Foreign Service capacity and significantly ramp up systems and training resources. Administrator Fore calls this program the "Development Leadership Initiative."

So where does this leave us? I think this is all clearly a work in progress. It is fair to say that the initial implementation of the reform effort had some serious problems, but I think it is also fair to say that we have seen significant improvements in many of the key areas of concern.

I think we now have a greater development focus and sense of U.S. Government unity about how, why, and what we are trying to accomplish in our foreign policy and our foreign assistance goals. And while we are still in the formative days of our reform effort, we have made significant progress in bringing greater U.S. Government coherence to what we are trying to accomplish in foreign assistance. We have also taken the first steps to reinvigorate USAID's development corps. I think what is also important is to talk about what we need to do next. We collectively need to do more to realize our goal of significantly improving foreign assistance cohesiveness. We need greater funding flexibility. We need programs that are demand-driven and not ones that are dictated by the type of funding available.

We need to do a better job of giving country experts the ability to shape and implement development strategies. We need to recruit and retain a robust workforce, with strong operational and technical skills. We need to further streamline our internal planning and allocation processes. We need to fully implement a whole government approach that achieves better coordination of U.S. Government foreign assistance programs. And to be successful, we need the active engagement of Congress, public and private partners, and the international community.

So, in closing, I think the one word that captures where we are in our efforts to help achieve what we are talking about here is "more." In the assistance world, there are more issues to consider; there is more complexity; there is more aggregate resources; there is more security concerns; there is more information about what works and what is important; there is more understanding of the impact of not coordinating defense, development, and diplomacy; there is more international focus on improving our collective foreign assistance performance. But most importantly, there is also more promise and more potential for achieving long-term sustainable development goals around the world. Progress can only be made if we have a sense of shared community goals and efforts. And I think there are clear signs that we are heading in that direction, and I salute the members of today's second panel for their leadership role on that front. Modernizing foreign assistance is nec-

essary, it is urgent, and it is essential to the achievement of essential foreign policy and national security objectives.

Thank you, Mr. Chairman.

Senator AKAKA. Thank you very much for your testimony, Mr. Greene. We will have 7 minutes of questions each here on the first round.

Mr. Greene, you note that our foreign assistance was stovepiped into numerous accounts overseen by a multitude of offices, each with different standards of measurement and different ways of judging success or failure, and that this fragmentation made it difficult to plan coherently and could lead to conflicting or redundant efforts. I thank you for this honest assessment. You also state that in the year 2006, Secretary Rice launched an effort to improve the coherence and effectiveness of U.S. foreign assistance, and let me call your attention again to these charts that we have here on my right. It does not look like much progress has been made when you look at the charts.[1]

Can you tell us what new steps the Administration is planning to take to improve coherence and effectiveness?

Mr. GREENE. Thank you, Mr. Chairman. Let me be blunt. We have not done anything to simplify, collectively, the Administration and the Congress of the United States has not done anything to simplify the account structure that exists. And what the Secretary's initiative focused on was what we could do administratively to bring greater coherence.

So what we are trying to do is to bring together State and USAID planning efforts. What we are trying to do is develop tools that describe in much greater detail what we do, and how we do it. What we are trying to do is to develop an attitude that gets around the stovepipes, that has State and USAID employees working together to plan, to develop, to formulate, to execute programs. And what we have also developed is a core set of improved tools in terms of developing foreign assistance policy that will be significant enhancements over what we have had. And you mentioned some transition and legacy issues that I think will be a great aid to whoever comes in and manages these programs in the next Administration.

So our focus has been on what we can do without legislation, and what we can do without legislation is bringing out stronger State/USAID coherence.

Senator AKAKA. Mr. Greene, Mr. Worthington of InterAction argues that the F Bureau has been measuring performance of foreign assistance programs by outputs rather than impact or outcomes. Do you agree with him?

Mr. GREENE. Mr. Worthington is a fine and astute individual. I think it is a very—everything about foreign assistance is complex, and arguably, foreign assistance programs present the most complex public policy challenges there are. If you look at the number of programs, you look at the number of implementing partners, you look at the types of programs, you look at legislation, you look at countries, you look at security objectives, and if you laid all that out in a matrix, I would argue it would be probably the most com-

[1] The charts referred to appear in the Appendix beginning on page 117.

plex matrix there is in any public policy arena. And I think it is a combination of factors.

Of course, we look at outputs. We are output oriented. And, Senator Voinovich I think has worked hard in a lot of his other committees on this issue. One of the biggest challenges is to really usable performance measures that you would really use to manage programs by, that you would really use to make funding and allocation and staffing decisions, and we are working on that. It is a work in progress, and I would echo Mr. Worthington's point that it is very important to make continued progress on that.

Senator AKAKA. Mr. Greene, right now there are over 20 U.S. agencies and over 50 programs conducting foreign aid. In Afghanistan alone, there are eight different U.S. Government agencies and many private contractors. Using Afghanistan as an example, what is being done there to develop a coherent strategy?

Mr. GREENE. What we have in Afghanistan is, on the foreign assistance side, what we call our Country Operating Plan for Afghanistan that takes all of the foreign assistance resources available—to be clear here, I do not want to make this out to more than it is—for State and USAID, arrays it and allocates it by program area down to a pretty detailed level in terms of different types of programs, different types of delivery mechanisms, who the implementing partners are and what the expected results are. So we have a much greater degree of coherence in terms of allocating foreign assistance funds than I think we have had before.

Now, in Afghanistan and in other post-conflict states, of course, there are huge overlaying security concerns, and there are huge overlaying political concerns that drive that relationship as well.

Senator AKAKA. Mr. Greene, do you believe it would make sense to consolidate most of our foreign aid programs under State?

Mr. GREENE. I do. Full stop.

Senator AKAKA. If over 40 percent of all foreign aid is controlled by agencies outside of the State Department, how does State ensure that other departments are not undermining its policies?

Mr. GREENE. It is a major challenge for us now, again, to be blunt. And the way we do it is we rely heavily on the leadership by our chiefs of mission in the field. We rely heavily on the leadership of our USAID mission directors who are assistance leaders in almost every mission where they are at around the world. And what we are trying to do is to develop U.S. Government-wide assistance strategies that incorporate the resources of agencies that are not under the authority of the Secretary of State.

Now, we do not have the authority to make other agencies participate, and we are piloting it in 10 countries around the world. We will see how it works. We will see if we are able to achieve greater coherence without additional authorities. It basically will happen with the cooperation of others, recognizing what is at stake here, or it will not happen at all, sir.

Senator AKAKA. Senator Voinovich.

Senator VOINOVICH. Thank you, Mr. Chairman.

Mr. Greene, our dependence on continuing resolutions impacts the agencies charged with the delivering of foreign assistance, and recipient nations rely on long-term guaranteed funding to sustain economic growth. At my request, the Congressional Research Serv-

ice prepared a soon-to-be-released report on the impacts of continuing resolutions on agency operations. We complain about what various departments and agencies are doing, but the fact of the matter is that we contribute to it with the continuing resolution, omnibus bills that we pass. But the report highlights a 138-day delay in increased funding for the President's Malaria Initiative for fiscal year 2007, and USAID noted, "Because of a shorter time frame before the end of the fiscal year, planning and implementation were difficult and hurried in terms of the distribution of funds and in developing contracts for implementing various approaches in malaria control."

Could you just spend a little time telling us how the way we do things around here is impacting your ability to deliver what we want you to deliver? And, second of all, in your opinion, does it add to the cost because of the way we are operating in terms of our appropriations?

Mr. GREENE. I appreciate the question, Senator. It clearly adds to the cost of how we operate, and more importantly, adds to planning uncertainty about funding flows, about how to proceed.

What is important is sustaining commitment, and you do not get results on the programs we are talking about here unless you are engaged in a sustained way over a number of years. You do not make development progress in a number of months. You make it with sustained focus and attention over a number of years. And if we go through this process each year where we are under long-term CRs, we get the appropriations late in the year, the implementing partners who we rely on, who do heroic work in the field and every place around the world, cannot plan, they cannot judge, they cannot hire people, they cannot put projects into place. There is a huge operating tax associated with that, and we are certainly worse off because of that, sir.

Senator VOINOVICH. Also, it is my understanding that so often many of these projects that you undertake are earmarked. Would you like to comment on that?

Mr. GREENE. Sir, I think we are not at a good place in terms of implementing a balanced foreign assistance program in the United States, carefully balanced between congressional priorities, Administration priorities, and the needs and views of people on the ground that are actually implementing the programs. And in order to get that into better balance, my opinion is that we need a lot more flexibility in terms of funding categories, in terms of timing, in terms of the duration of projects as well. And I think because of what you are describing, sir, in many cases we end up with programs that do not adequately balance our key objectives and do not really reflect what the experts on the ground think are necessary to make development progress. Thank you.

Senator VOINOVICH. In two area, we are responsible for making it more difficult for you to do the job we are asking you to do.

Mr. Greene, the Commission on Smart Power that was headed up by Joe Nye and Dick Armitage describes how many of our traditional elements of soft power, such as public engagement and diplomacy, have been neglected and fallen into disrepair, and the report urges the State Department to give greater attention to an inte-

grated foreign assistance program driven by strategic considerations.

I would like to know how is the Department meeting this goal. And then the other question is, Does the Department's current framework support the goal? And I guess last, but not least, do you believe there would be a benefit to appointing additional senior officials to oversee this whole structure that we have or appoint someone that would be kind of the orchestra leader that would tie all of this together and make it happen and give them enough power so that they could get people to do what they are supposed to do? We keep running into situations where, even in the area of enforcement of our intellectual property, you have about a dozen agencies, and we have been trying to get them together. And the President was able to go along with an orchestra leader, and a guy named Christian Israel is putting it all together.

But it seems that you have to have somebody that has the clout to try to make this happen, and I would like your response to that.

Mr. GREENE. The two whose responsibility it is to make it happen are Secretary Rice and USAID Administrator Henrietta Fore. Now, clearly neither of them have authorities over foreign assistance controlled by non-State/USAID agencies. That is a significant chunk, and it shows in your chart up there. I think the foreign assistance programs of the United States could be more effectively developed, implemented, and monitored, if more of the foreign assistance funding was under that leadership structure.

Your second question, sir, was on integration. I think the effort that we have launched is a good first step. Again, this is a work in progress, but I think it is a good first step, sir.

Senator VOINOVICH. In other words, you put a team together and this is the recommendation about how to get it done? Or are you just dealing with it because that is about the only way you can deal with it? Has this been taken up, for example, to talk to OMB about how that could be better?

Mr. GREENE. We made a conscious decision in terms of developing this reform effort that we could achieve the most progress the fastest if we did what we could do administratively as opposed to seeking new authorities. And so we did what we could do administratively, which is to basically try to get greater State/USAID coherence. And I think we have made pretty good progress on that. But as all of you point out, and as the chart points out, there is a whole other world out there of non-State, non-USAID foreign assistance, and that coordination and improved coherence relies on interagency cooperation.

Senator VOINOVICH. Interpersonal skills between the people involved.

Mr. GREENE. Yes, sir. This is a very strong leadership-dependent operation, sir.

Senator VOINOVICH. Thank you.

Senator AKAKA. Thank you very much. Senator Coburn.

Senator COBURN. Thank you, Mr. Chairman.

I happen to think PEPFAR and Millennium Challenge Corporation grants, the work that is done there is probably by far some of the most effective work we do. And my observation from that is that because they have outcome requirements, they have metrics,

they are measured. We know what we are trying to achieve. We know how to measure it, and therefore, we can assess it. And I am very glad to hear of some of the management changes.

Does every program in American foreign assistance have an outcome goal?

Mr. GREENE. There are outcome goals, Senator, for every program. Now, I think it is also fair to say that in many cases they are not as effective, not as clear, not as easy to measure as PEPFAR and malaria when you are talking about capacity building in terms of a government ministry when you are talking about democracy programs, when you are talking about economic growth, and when you are talking about governance. The challenge of coming up with effective performance indicators is a bigger challenge, sir.

Senator COBURN. It certainly is, but the management of all those programs is made much more simple if, in fact, you spend the time on the front end trying to get those performance indicators. And one of the things that I want to make sure we do—and I think it will help the State Department plus everybody else—is we ought to have a metric on what we are doing. And we just really do not in the State Department. In a large number of areas, not only do we not have clear outcome goals, we do not have metrics to measure whether or not we are achieving those goals.

So one of the things that I am hopeful for is—it is really different in Afghanistan and Iraq. Those are combat areas. And the judgment that we should make on performance should be different in those areas than it is in others. But to highlight, the funds have been highly effective, whereas in many areas, USAID, because of the limitations we place on our USAID folks, they do not have the range of possibility that a local commander has in terms of spending money. I mean, we know—and part of that is security, and I grant that we have to discount a lot of that. But I think one of the important things—and I cannot stress to you enough, and I am going to be around here a little while longer—is we have got to have programs that are outcome driven not demand driven. And they have got to have metrics, and that is going to be one of the things. And I would have a little bit of disagreement with Senator Voinovich on CRs. A CR, you know what is coming. You just do not know what the increase is in what is coming because the CR is set at the level of the year before. So we do not know what the increases will be, but there should be no reason that a CR would slow us down for anything because the CR is a continuing appropriation based on the levels that we have been running.

And so while we do handicap you—and I agree, we should be getting our work done on time—the handicap is on increases. It is not on the funds that are running because we are translating those through on a month-by-month basis at the same level at which they were before.

If we had metrics, let's say we spent the extra time to really work to try to get an outcome, whether it be crop production or whatever it is, whether working with Agriculture or U.S. Fish and Wildlife or the Corps of Engineers, if we could spend the time up front on that, would it not make sense that we would probably be more effective if we had common outcome goals with all those other

agencies where you do not have direct command and control over? And is there any way to set that up when we implement foreign policy before we invite the Corps of Engineers in, before we invite the U.S. Department of Agriculture in and saying here is our goal? Now, here is the goal, here is what we want to see, and how do we get there and how do we measure it? That is my first question.

The second thing is could we not help you more effectively if we had more oversight hearings on what is happening so that we get a better understanding in Congress of the tools that we need to give you that you may not have, and also holding you accountable to meet those outcome measures?

Mr. GREENE. I appreciate your comments, Senator, and more importantly, many people that I work with are in total agreement with you on metrics. Metrics are a greatly underappreciated facet of any program management exercise, I think anywhere in the U.S. Government. We have started down the path of assigning metrics to various program areas and elements. Some of them work, some of them do not. And we take your call very seriously to pay more attention and invest more time to that up front.

I think our efforts at getting to coherency and improving efficiency of our programs would be improved if we did what you are talking about in terms of having common metrics and common indicators for every foreign assistance program no matter where they were in the government.

We are taking steps in that direction in terms of just initially trying to capture data and trying to describe what they do with our 10 pilot programs on overall country assistance strategies and there will be metrics components or performance components to that. And so I am in strong agreement with you, sir.

Now, regarding oversight hearings, I have mixed emotions on more oversight hearings, but certainly more substantive discussions about what we do and how we do it and the challenges we face are welcomed. We would love to do that.

Senator COBURN. Yes. We had all the hearings on a lot of the waste associated at USAID in Afghanistan, and some of it could not be helped. I understand that. But the fact is that even after the hearings, we went back and hired the same contractors who did not do a good job the first time. And sometimes that is the only contractor we had. But we ought to be about trying to change those things rather than to go in the manner that we have gone.

You have a tough job, especially in the conflict areas, and it is hard to be too critical of you in that, especially when there is a security component to it. So I will save my criticisms for that. But I am going to be watching for outcomes in all these programs, and I am going to be looking for metrics. And I would just say one other thing. We cannot ask our State Department to have metrics and be accountable when we refuse as a Congress to hold the United Nations accountable with $5.4 billion of our money. This Senate passed 99–0 that the United Nations funding ought to be based on the fact that they are transparent and accountable to us with our money, and it was taken out in conference. We are going to get a vote on that every year I am here, and there is no way we can hold you accountable when we send money to another agency and turn a blind eye about how whether they are accountable or not.

With that, I would yield back.

Senator AKAKA. Thank you very much, Senator Coburn.

Mr. Greene, according to the charts again, as this middle chart shows, there has been a marked decrease in USAID Foreign Service officers from 1967 to 2008. In his testimony, Dr. Adams of the Henry L. Stimson Center states that USAID has hired more than 1,200 personal services contractors. He states that USAID has become largely a contract management agency with programs being implemented by a growing number of outside contractors.[1]

Do you agree with this assessment?

Mr. GREENE. Mr. Chairman, I have a long tradition of never disagreeing with someone who is sitting right behind me. You just never know.

Dr. Adams is an expert in this area. Dr. Adams has been very involved with these issues for a number of years, and I agree with his assessment.

Now, I think what is important is to talk a little bit about what we are doing. One, we—meaning under Administrator Henrietta Fore's leadership—recognize that this is a serious problem and that we need to rebuild USAID's core capacity.

Two, Administrator Henrietta Fore has launched the Development Leadership Initiative where her objective is to double the size of USAID's Foreign Service Corps over 3 years, and fiscal year 2009 is year one. The Congress has been very supportive of that objective and provided additional funding in the supplemental in the FY 2007 bridge supplemental. And the initial marks of our appropriation bills in the House and the Senate also provided additional funding. So I think we are, with your very strong support, taking a good step to try to reverse that trend, and it is a worrying trend.

I also think there is no interest in going back to the 1967 levels when the aforementioned Richard Armitage was in Vietnam. But we certainly need to significantly increase what we have now.

Senator AKAKA. Mr. Greene, I was recently informed by an organization called Inside NGOs that USAID's staff spends up to 75 percent of their time on pre-award contract work, such as defining technical requirements, writing scopes of work, and evaluating proposals. Less than 25 percent is spent monitoring performance and administering the awards. Now, this suggests that accountability may be more of an afterthought rather than a management priority.

Do you agree with Inside NGOs' characterization of the situation? If not, what percentage of time is spent on pre-award work versus performance monitoring?

[The information provided for the record follows:]

INFORMATION PROVIDED FOR THE RECORD FROM MR. GREENE

When looking at USAID staff across the board, warranted contracting and agreement officers and contract specialists make up less than 10 percent of USAID's workforce. These professionals are far outnumbered by Cognizant Technical Officers (CTOs) and other Project Specialists who are nearly fully devoted to program implementation, monitoring and evaluation.

[1] The chart referred to appears in the Appendix on page 119.

If Inside NGO was referring only to USAID contracting and agreement officers and contract specialists, no analysis has been done regarding the percentage of time spent on pre-award actions and post-award performance monitoring and administration. It is our opinion, however, that the 75 to 25 percent ratio is fairly accurate with regard to contracting officers and specialists. Following award, the CTOs—also procurement professionals according to Office of Federal Procurement Policy's definition, but not warranted—act as the contracting and agreement officers' representative for the purposes of program implementation, performance monitoring and evaluation and spend a greater percentage of their time on administration and oversight. In addition, within the USAID Office of Acquisition and Assistance, there is an Evaluation Division and a Contract Audit and Support Division which carry out many contract administration duties such as financial reviews, claims, training, advisory reports, the suspension/disbarment of contractors, and contract performance reporting. Therefore, USAID is strongly committed to accountability as a priority.

Ideally, the warranted contracting and agreement officers would play a larger role in post-award activities than they are currently able to. This remains a goal of USAID. Unfortunately, there is a chronic shortage of contracting and agreement officers across the Federal Government and this is true at USAID as well. For example, USAID currently has fewer staff in the 1102 (Contract Specialist) back-stop than it did 10 years ago, yet obligations have tripled. Given more human and financial resources, USAID would be able to focus a greater percentage of contracting and agreement officers' time on post-award activities and provide for even greater accountability on the part of implementing partners, improved tracking of contract performance, improved transparency through better reporting data, and greater stewardship over resources. We hope to be able to sustain the significant recruitment effort we recently initiated to bring more Civil Service and Foreign Service procurement officers into USAID.

Mr. GREENE. Mr. Chairman, I do not know what the specific numbers are. If there are specific numbers, we will get back to you. Just my instinct is that in terms of order of magnitude, it is probably not that far off. And, again, more importantly, taking the tone of your remarks on every issue so far, it is what are we doing to reverse that? And our main tool to reverse that is to ramp up USAID hiring in both operational and technical issues. That is the only way we are going to be able to reverse what is a troubling trend, sir.

Senator AKAKA. Mr. Greene, Dr. Adams in his testimony argues that Foreign Service officers should be encouraged to hold a development or foreign assistance post in their careers. Do you agree with this and agree that this would be useful? And if so, is State doing anything to encourage this?

Mr. GREENE. I think it would be very useful, sir, and I think you are seeing a sea culture change in terms of the experiences that Foreign Service officers have at the State Department. You look at the number of people who have served in Iraq, who have served in Afghanistan, who have served in Bosnia, and the large number of our people who have been in post-conflict situations, and who have been part of managing, and directing assistance programs. And so the comfort level with assistance programs has increased. The linkage and knowing the relationship between assistance programs and achieving our overall goals has increased. And it is a trend that is going to keep on keeping on, as we say, and we will do everything possible to encourage it, sir.

Senator AKAKA. Mr. Greene, GAO reported that Human Resources Bureau officials did not attend meetings in which foreign assistance budget decisions were made that could potentially impact human capital requirements. Do you agree that this happened in the past? And what has changed since this report was issued in September 2007?

Mr. GREENE. Sir, there is a State Department equivalent of USAID's Development Leadership Initiative. At this point it does not have an eye-catching title like Development Leadership Initiative, but Secretary Rice and the leader of this effort, Under Secretary Kennedy, are also trying to significantly ramp up State's core technical operational staffing. And a part of this effort is to increase the number of people and increase the competency of State Department Foreign Service officers who have oversight, who manage, and who support foreign assistance programs.

Senator AKAKA. Mr. Greene, over the last few years, there has been a process underway to subordinate USAID to the State Department. Meanwhile, some of our allies abroad have been undertaking efforts to create separate agencies to direct their foreign assistance agenda. The United Kingdom's Department for International Development stands out as one example.

In your opinion, is the British development department effective?

Mr. GREENE. I think our colleagues at the Department for International Development (DfID) are effective. I would also note that we just had a very long session with our colleagues at DfID who wanted to know what we do in the Foreign Assistance Bureau of the State Department and how we do it and what we are doing to try to gain greater coherence. And so they were looking to learn some of the tools from us to apply back to their own situation.

Senator AKAKA. Well, thank you very much for your responses.

Senator Voinovich.

Senator VOINOVICH. This is a difficult one to answer, and in my opening statement, I said that the program on international policy attitudes reported that 20 of the 26 countries, including many who receive millions of dollars of foreign assistance, felt the United States was having a negative influence on the world. Real low numbers. Any explanation why you think that is the case? Has it got to do with the Iraq War or Abu Ghraib?

Mr. GREENE. I think there are some pretty well-documented, and discussed reasons why that could be true, sir. But I also think that there have been some recent polling information that shows that trend starting to turn around a little bit. And, again, I think what is important is what are we doing to try to turn around that trend. And, I think we are doing it, sir.

Senator VOINOVICH. If there was one or two things that you would recommend to the next President that he do to kind of change this as rapidly as possible, what would you suggest?

Mr. GREENE. Sir, are you talking about overall attitudes or are you talking about——

Senator VOINOVICH. Yes, overall attitudes. I mean, this is all a part of our public diplomacy. It is part of our national security. It should be.

Mr. GREENE. I think we do extraordinary work around the world. We do extraordinary work around the world that brings great daily benefit to millions of people around the world. We do it in conjunction with countries, with partners, with organizations. And I do not think we do the greatest job possible of talking about how we do it, why we do it, and the results we achieve. And I just think we need to significantly improve telling the story of what this country

does and what this country helps accomplish around the world on a daily basis, sir.

Senator VOINOVICH. Well, it is interesting. We are known for our great public relations, the fabulous firms that represent corporations and so forth that are in that business. You think that we need to figure out how to do this better, to communicate who we are and what we want to do and what we have done, and that we do care about other people?

Mr. GREENE. Yes, sir, and to do it in a sustained, engaged way using communication styles and techniques that are more in tune with the changing communication styles and techniques that are out there today. Frankly, I think we are just starting to wake up to that potential and that methodological change that is necessary.

Senator VOINOVICH. Do you have any people in your shop that are working on that?

Mr. GREENE. Those are primarily in the Under Secretary for Public Diplomacy's shop, Mr. Glassman, and he is leading the charge on that, sir. What we constantly get——

Senator VOINOVICH. How much coordination is there between you guys and Glassman's operation?

Mr. GREENE. What Glassman is always looking for two things: One are success stories, give us information, feed us all these success stories that your people say you are doing so that we can get them out to our communicators all over the world. Paint the picture, give us the information. So he is looking for success stories, and he is looking for resources to get the core capacity to deliver those success stories in an integrated way, looking for much more forward presence in terms of public diplomacy strategy as well, sir.

Senator VOINOVICH. Shifting the questions to Senator Coburn, as a mayor and governor, I used to say, if you cannot measure it, do not do it. And one of the problems that we have—Senator Akaka and I have—we try to get strategic plans on how people are going to get off the high-risk list. You are setting up some kind of metrics. When you do this, do you ever sit down with the General Accounting Office to talk to them about it? Because so often what ends up happening is they come in and look over your shoulder, and then they come back with reports that program challenges remain. Is there any work that is being done in that area?

Mr. GREENE. Right now we are privileged to have a General Accounting group looking at many different aspects of our operation, and my understanding—I have not been in these conversations myself, but my understanding is that we have had discussions on performance measures and monitoring. I will find out exactly what——

[The information provided for the record follows:]

INFORMATION PROVIDED FOR THE RECORD FROM MR. GREENE

We have discussions with the GAO on a range of foreign assistance related issues, including performance metrics. The current GAO study is however not specificallly focused on metrics.

Senator VOINOVICH. It would really be good to do that because we have had situations, haven't we, Senator Akaka, where they come before us and claim they are not being measured the same

way or that we do not agree with the definition and we are still trying to get some feedback on several of those areas.

The last thing I would like to mention to you is that you have recently started this effort, and we are going to have a new Administration. I mentioned the American Academy of Diplomacy, you have the Commission on Smart Power, and I think there is one other group that is going to come back. There is a big coming together of thought on what we ought to do to go forward. And I would really appreciate it if, as these reports come out—in fact, I am going to have my staff look at them, and I am going to look at them, to see what the common threads are. And you have been there, and it would be interesting to know before you tip your hat what you think about those reports and whether you think that they are suggesting the right things. I would be very interested—and I am sure Senator Akaka would—in terms of your thoughts about that because we are going to have a new day in this area.

And we had the Aspen Institute breakfast this morning. We had an adviser to the Secretary on terrorism, and his opinion was that there are a whole lot of things that we ought to be doing differently today. And then I think, Senator Akaka, you are on the Armed Services Committee. There is only so much money to go around. I think the State Department's budget proposal is $36 billion.

Mr. GREENE. Yes, sir. That includes assistance and operations.

Senator VOINOVICH. Yes, $36 billion, and I think the defense budget is $683 billion, something like that. And I know this is probably not something good to suggest, but it seems to me that we should be allocating our dollars differently than we are today, that the enemy is different than it was before the Cold War. We have a group that is out that does not fly under any flag, and we need to be—as Joe Nye says, we need to have smart power and figure it out. And I am hoping that those of you that are close to this really get out and start beating the drum for the fact that we need to reallocate our resources and put them in the areas where we are going to get a much better return on our investment.

Senator Akaka, one of the things that drives me crazy around here is that—they call it the "military-industrial"—Eisenhower talked about it, and it is also the congressional thing that we need to be concerned about. And we just seem to be going down one course, which is the past, and not looking to the future. And somehow we have to break that mind-set and start looking out differently than we are today, I think, if we are going to be successful, understanding that we have limited resources. And if we keep going the way we are, Senator Akaka, with the $10 trillion debt—we have some serious problems that need to be addressed, and I am hoping that we have a lot of new thinking. It is not to take anything away from what you are trying to do and the next Administration as to how we are going to handle this situation.

If I do not get a chance, thank you for your service.

Mr. GREENE. Thank you, sir. Could I just respond to one of your points, if you do not mind, Senator Voinovich?

I think there is an extraordinary level of compatibility and coherence between what we as an Administration are trying to do and what the reports that you cited, the HELP Commission also, have concluded. And so as much as the stars ever get lined up on this

incredibly complex, important subject, I think they are about as lined up as they are ever going to be in terms of what outside groups are saying, what Members of Congress are saying, and what we, the Administration, are saying. And I think it provides a really good foundation to get to a much better place in terms of coherent foreign assistance programming, planning, and implementation, sir. And we greatly appreciate your comments.

Senator VOINOVICH. Thank you.

Senator AKAKA. I want to thank Senator Voinovich. Mr. Greene, thank you so much for being here and for your testimony. I want to commend you for being as candid as you have been with your statements, and we look forward to continuing to work on this and to improve the system. So thank you very much.

Mr. GREENE. Thank you, sir.

Senator AKAKA. I want to welcome the second panel of witnesses. The second panel of witnesses includes Leo Hindery, Jr., Former Vice Chairman, Commission on Helping to Enhance the Livelihood of People Around the Globe (HELP); Dr. Gordon Adams, Distinguished Fellow, Henry L. Stimson Center; Anne C. Richard, Vice President for Government Relations and Advocacy, International Rescue Committee; Sam Worthington, President and CEO, InterAction; and Dr. Gerald Hyman, Senior Adviser and President of the Hills Program on Governance, Center for Strategic and International Studies.

It is the custom of this Subcommittee to swear in all witnesses, and I would ask all of you to please rise and raise your right hand. Do you solemnly swear that the testimony you are about to give this Subcommittee is the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. HINDERY. I do.

Mr. ADAMS. I do.

Ms. RICHARD. I do.

Mr. WORTHINGTON. I do.

Mr. HYMAN. I do.

Senator AKAKA. Thank you very much. Let the record note that the witnesses responded in the affirmative.

Mr. Hindery, please proceed with your statement.

TESTIMONY OF LEO HINDERY, JR.,[1] FORMER VICE CHAIRMAN, COMMISSION ON HELPING TO ENHANCE THE LIVELIHOOD OF PEOPLE AROUND THE GLOBE (HELP)

Mr. HINDERY. Mr. Chairman and Mr. Ranking Member, I am Leo Hindery, and I was the Vice Chair of the HELP Commission, which was created by Congress in the year 2005 to reflect on how best to reform the tools of development assistance. And it is an honor for me to be here today to testify to your Subcommittee. I along with two other HELP Commission Members—Jeffrey Sachs and Gayle Smith—prepared a Minority Commission Report entitled "Revamping U.S. Foreign Assistance," and I ask that you place that entire Minority Report into the record.[2]

[1] The prepared statement of Mr. Hindery appears in the Appendix on page 54.

[2] The Minority Commission Report entitled "Revamping U.S. Foreign Assistance," appears in the Appendix on page 159.

In the few minutes I now have, I want to discuss in brief three of the five most significant conclusions which we drew up in our Minority Report, and I would ask, Mr. Chairman, that my fuller testimony also be placed into the record.

Senator AKAKA. Without objection.

Mr. HINDERY. Even though the principle has been part of U.S. foreign policy doctrine for 60 years, our first conclusion was that the United States must continue to promote development assistance as a core pillar of national security and American moral values since this principle is now no longer universally embraced. The 2006 National Security Strategy of the United States explained well the rationale and the imperative of development assistance when it said that, "Development reinforces diplomacy and defense, reducing long-term threats to our national security by helping to build stable, prosperous, and peaceful societies."

Our second conclusion, and an extremely important one in light of the testimony a moment ago, was that the United States should immediately establish a new separate Cabinet-level "Department for International Sustainable Development." This new department would house USAID, PEPFAR, the President's Malaria Initiative, and Millennium Challenge Corporation, plus all new emerging initiatives such as in climate change. The case for a separate Department rests on five principles: The need, as I mentioned, to upgrade U.S. development assistance as a pillar of U.S. national security; the need to improve U.S. Government management and expertise in public health, climate change, agronomy, demography, environmental engineering, and economic development; the need to work effectively with similar Cabinet-level departments and ministries in partner donor countries; the need to de-politicize development assistance so that it can be directed at the long-term investments that are critical in the fight against poverty, hunger, disease, and deprivation; and the need for coherence, which is apparent today, of those U.S. policies which impact sustainable development.

The shift, Mr. Chairman, as you commented, in the United Kingdom in 1997 from having a sub-Cabinet development agency to having a Cabinet-level department called DfID has dramatically increased the standing, reputation, and experience of the United Kingdom in the area of international development. Consequently, it was our conclusion that DfID is now, in fact, far ahead of USAID as a global thought-leader in development policy and thus, relatively more successful.

Our third conclusion had to do with what works and with what does not work with ODA, which is particularly germane to this Subcommittee's strong interest in organizational process. The discussion on aid effectiveness is often clouded by confusions, by prejudices, and by simple misunderstandings. Many studies, Mr. Chairman, try to find correlations between overall aid and economic growth, and when they find little positive correlation, they declare aid to be a failure. Yet this low correlation does not prove that aid is failing, since much of the aid is directed to countries in violence, famine, or deep economic crisis. It is not a surprise, therefore, that aid is often correlated with economic failure, not because aid has caused the failure but, rather, because aid has responded to failure. We need, as you have commented, a much more sophisti-

cated approach than standard simple correlations to judge the effectiveness of aid. And then we need to assess the objectives of specific aid programs and whether these objectives are fulfilled.

Did the food aid stop starvation? Did immunizations save lives or eradicate disease? Did infrastructure spending on roads and ports help to generate new employment in new industries? Did aid for schooling raise enrollments, completion rates, and literacy? Did farm aid increase the productivity of farms?

In short, I believe there are six keys to success in development. First, interventions should be based on powerful, low-cost technologies. Second, interventions should be relatively easy to deliver and based on expert systems and local ownership. Third, interventions should be applied at the scale needed to solve the underlying problems. Fourth, in a comment raised today, interventions should be reliably funded. Fifth, interventions should be multilateral and draw support from many governments and international agencies. Sixth, and extremely important, interventions, as Senator Voinovich has commented, should have specific objectives and strategies so that success rates can be assessed.

Development assistance programs should have clear objectives, and they should not directly aim for excessively broad and overarching goals such as "democracy" or "the end of terror," even though broad goals such as these can appropriately be among the direct and indirect motivations for the actual interventions. But only, as the Senator has commented, with specific objectives can there be measurements, auditing, evaluations, and re-assessments as needed.

Thank you, Mr. Chairman and Mr. Ranking Member, for this opportunity, and I look forward to your questions.

Senator AKAKA. Thank you very much, Mr. Hindery. Dr. Adams, will you please proceed?

TESTIMONY OF GORDON ADAMS,[1] DISTINGUISHED FELLOW, HENRY L. STIMSON CENTER

Mr. ADAMS. Thank you very much, Mr. Chairman. I am delighted to appear before this hearing this afternoon. I congratulate both of you for holding the hearing because, as has already been said today several times, this is a very propitious moment for thinking about how we strengthen, improve, restructure and make more effective the development assistance of the U.S. Government. So it is extremely timely.

I also wanted to thank you in particular, Senator Voinovich, for your service on the Advisory Panel for the study that the American Academy of Diplomacy is sponsoring, which we at the Stimson Center are writing. We appreciate your service there as well and look forward to giving you a useful and implementable result.

I will briefly make a few points today, and thank you for putting my full statement in the record.

Precepts first, I focus on our foreign policy toolkit, and our foreign policy toolkit is out of balance. We have relied on the military instrument of power and have neglected and understated our capabilities in diplomacy, development, and foreign assistance. And it

[1] The prepared statement of Mr. Adams appears in the Appendix on page 60.

is my judgment that the Congress and the next Administration are going to have to address that priority.

I observe in my testimony that despite a growing State Department operational budget in recent years, we still have a Department that is inadequately staffed and funded to play a full part in our foreign and national security policy.

And despite roughly doubling our foreign assistance over the past 8 years, our development and foreign assistance institutions still suffer from what I call a "diaspora" of organizations and capabilities. They need to better integrated and coordinated. They need more strategic direction. They need more funding and staff. And they need, in my judgment, a coordinated budget process to be effective.

So I want to mention four things that I recommend in the testimony.

First off, with respect to the State Department, we need to invest in additional staffing for the State Department and reshape the career expectations of people going into America's diplomacy. I think both of those are important. We will recommend in the report that Senator Voinovich is helping us with that there be a roughly 35-percent increase in the overseas Foreign Service staffing of the State Department over the next 5 years. But increasing the people is not in itself enough. We need to have also different people or to evolve the people we have. We have some fine diplomats, but the State Department today—and this is very much at the core of my testimony—is doing a great deal more than report, negotiate, and represent, which is the classical function of a State Department officer.

Through the State Department and through USAID, we have a very strong and growing "gray area" of program activity at the State Department: HIV programs in PEPFAR, the EUR assistance programs in Eastern Europe and the former Soviet Union, counterterrorism programs, and peacekeeping operations. For all of these, we are getting a new generation and a new set of experiences for our State Department diplomats.

We need to focus on that reality, in a very concentrated way, to recruit, to train through their careers, to assign across cones, to assign across departments, and to reward a much broader career path in the State Department than what traditionally has been the case.

We also think that it is very important to expand and reward the work of the public diplomacy function at the State Department. Senator Voinovich referred to this in his early questions. We think that is a very important aspect, and we will be recommending in the Stimson Academy Report an increase in staffing and in programming for the public diplomacy functions at the State Department.

I mention these issues because, in my judgment, they are all connected. We are talking about the civilian capability of the U.S. Government; our foreign assistance and diplomacy and public diplomacy are connected in our effort to be effective.

Second, to come specifically to the area of foreign assistance, when I was the Associate Director at the Office of Management and Budget back in the early to mid-1990s, one of the things that

struck me most strongly was that most of the accounts that are in what we call the Function 150, the international affairs budget, were integrated at my desk. I was an OMB official. It is not the place that these accounts, programs, or strategies ought to be integrated. Because the integration mechanisms at the State Department were not effective, they were integrated at my desk. This reflects the diaspora I mentioned earlier. And the diaspora has gotten worse in this Administration. Congress and the Administration have created programs that have the opportunity to be effective. I am talking about PEPFAR and about the Millennium Challenge Corporation, which make up the bulk of the growth in foreign assistance funding over the last 6 or 7 years.

The consequence of the diaspora and your chart amply demonstrates it—is the weakening of our core foreign assistance institution: USAID. Here there is not only a need to rebuild the core, but to restructure that core so it can carry new responsibilities. It needs to reform to being a technical and field agency as opposed to a contracting agency, and forward to deal with the kinds of issues it now works on with the Department of Defense and the private sector. I want to note here that the flow of funding to the developing countries right now from the private sector overwhelms any bilateral official aid. The effective coordination with other donors requires an adequate staff in the field.

So we have a very strong recommendation in the study about doubling the field presence of USAID and making sure that it is technical, programmatic, and on the ground, not just more contracting officers. We see USAID as the central player in our foreign assistance and development programs. I would urge appointing someone to the position that exists in statute but has not been filled, making the current Office of Director of Foreign Assistance an actual Deputy Secretary of State. A Deputy Secretary of State for Management and Resources position exists in law, in Title 22. And we recommend appointing that person and dual-hatting them as the Administrator of USAID. This will ensure a voice for foreign assistance at the intergovernmental level, and it will assure responsiveness to the Congress because it is a confirmed official responsible for development assistance.

The third point is strategic planning. We have talked a little bit about that, and Mr. Greene talked about that a good deal, too. This comes to the core of the problem. There is a close tie between our foreign policy goals and our foreign assistance and development programs. Rather than separating them, I see over time the need for a very close tie if the United States is going to have a powerful and effective civilian foreign policy toolkit, and a more integrated strategic planning and budgeting capability that meets the needs of development as a central goal of U.S. international engagement.

This to me is not a question of development versus foreign assistance. A very broad definition of development, one used by most of the development community today, incorporates programs that we call "foreign assistance" and programs that we call "development assistance." And it is not a question of "short term" versus "long term." The short and the long are increasingly interlocked in our statecraft.

There will always be some conflicts between short and long term perspectives. That is just in the nature of things. But both are important. It is important to recognize that reality——

Senator AKAKA. Dr. Adams, would you please summarize?

Mr. ADAMS. Yes, I will. Thank you.

The State Department does both long and short term work. USAID does both short and long term work. So we see Mr. Greene's office as flawed, flexible, fixable, and an important foundation for building this long-term, transparent capacity for budgeting.

I will simply add one other point, and that is that in the testimony I talk a bit about this question of militarization, and both here and in the Stimson Center Report, we will try to be responsive to Secretary Gates' concern about militarization of foreign assistance to bring back into the State Department and the USAID world the authorities over many of those programs now being implemented by the Defense Department under its own authorities.

Thank you very much, Mr. Chairman.

Senator AKAKA. Thank you very much, Dr. Adams. Ms. Richard, please proceed.

TESTIMONY OF ANNE C. RICHARD,[1] VICE PRESIDENT FOR GOVERNMENT RELATIONS AND ADVOCACY, INTERNATIONAL RESCUE COMMITTEE

Ms. RICHARD. Thank you, Senators. Thank you for holding this hearing on Reforming the Foreign Assistance Bureaucracy. Your interest in this issue is very well timed. There is a consensus emerging that change is needed.

This afternoon, I would like to outline three major weak points in the foreign assistance bureaucracy—one, leadership; two, people; and three, coordination—and propose steps that could help address these weak points and strengthen the U.S. foreign aid program. My remarks are informed by my position as the Vice President of the International Rescue Committee, an internationally recognized relief and development agency, and also my past experience at the State Department. I was Madeleine Albright's adviser on budgets and planning.

I should also mention that I am the co-author of a forthcoming paper from the Stanley Foundation and Center for New American Security that describes how the next Administration might improve U.S. foreign operations; and my co-author, Paul Clayman, was the counsel for Senator Lugar on the Senate Foreign Relations Committee. I request that my remarks and the forthcoming paper be put into the record.[2]

Senator AKAKA. Without objection, it will be made part of the record.

Ms. RICHARD. Thank you.

Moving quickly to my first point, I think many of us here believe that stronger development management, policy, and leadership is needed from the U.S. Government. There is just a stronger need for

[1] The prepared statement of Ms. Richard appears in the Appendix on page 75.

[2] The working paper from the Stanley Foundation and Center for New American Security entitled "Improving US National Security: Options for Strengthening US Foreign Operations," appears in the Appendix on page 120.

leadership of development assistance. The Bush Administration has increased overall foreign aid but really opted out of using the U.S. Agency for International Development for major new initiatives and instead developed "work-arounds," such as creating the Millennium Challenge Corporation as a separate agency and also funneling HIV/USAIDS funding, the PEPFAR funds, through an office in the State Department. A logical move would be to fold these initiatives into USAID and thus, bring most of the major aid projects under one roof and ideally, reporting to one strong leader within the Administration.

The Administrator of USAID is an important job that needs to be filled by someone who can speak with authority. This person has to go to conference tables at the White House and be included in the discussions as decisions are being made and not told what happened later on. In international meetings and summits, the USAID Administrator should be empowered to meet with development ministers from other governments as a peer. Put simply, the Administrator must be the point person for relief and development in the Administration.

My written statement discusses militarization of foreign aid and concerns about reconstruction after conflicts. These are very hot topics right now, but they are parts of this overall foreign aid picture.

All of these various trends seemed to have boiled down lately to a disagreement among experts about the best place to lead U.S. development aid efforts. Some would say leadership should be at the top of the State Department, as Mr. Greene did, or with a new Cabinet-level development department, as both InterAction and Mr. Hindery would maintain, or through a coordinator based in or around the White House.

Paul Clayman and I developed what we call the "hybrid model," which we think combines the best of all these ideas: A new directorate for foreign operations at the National Security Council with staff who are knowledgeable and able to obtain input from key actors and help resolve disputes as they arise; a State Department that can coordinate and influence the overall direction of the full range of aid programs—which, as we know, is more than just development aid—to address the President's foreign policy needs—and that could be built off of the current F process—and a strong development agency, which I would propose be a revamped and empowered USAID—that includes all or most major development programs.

I would also propose that we continue the practice of having the leaders from different agencies involved in foreign aid meet to discuss the trends and the policies that the Administration has, and this could be modeled on the Millennium Challenge Corporation's board. Importantly, this hybrid model could be readily implemented within a short period of time by a new Administration.

There is a need for more people in both the State Department and USAID to carry out the important work of these agencies. It will be important for the Department of State and USAID to explain the impact new personnel will have, how they will make a difference, and what tasks they will undertake. Not just more people are needed, but more training, too. The international affairs

agencies need trained and skilled personnel to match modern demands. This includes the ability to speak hard languages, appreciation for the use of technology, and a good understanding of program management. In terms of skills, there is a clear need for personnel who can respond rapidly to crises and can play useful roles in post-conflict situations.

Finally, both the State Department and USAID need contingency funds to head off and respond to crises. I know proposals for contingency funds almost never survive the budget process. I have firsthand experience in that. But I would propose modeling a disaster contingency fund on the highly successful Emergency Refugee and Migration Account that the State Department manages for refugee crises.

My recommendation, therefore, is that this Subcommittee speaks out in support of greater investment in the international affairs budget and the personnel of these agencies, but that you also seek good answers to the questions of what the new hires will be doing and how the workforce will be used to tackle global threats and the full range of modern demands on Foreign Service officers.

My third point is that the very complexity that Rich Greene talked about requires coordination. Many of those who criticize the current way the U.S. Government organizes foreign aid complain about the large number of agencies that run aid programs and the long list of budget accounts that fund aid. And so I think a fresh approach would probably consolidate this large number of government actors into a smaller number of decisionmakers that work more closely together. But there will always be multiple actors because of the complexity of U.S. interests overseas. A coherent strategy does not necessarily mean that U.S. national security priorities, goals, and objectives can be easily described or condensed into a simple catchphrase. U.S. national interests are broad and varied. The United States has relations with, and Americans have interests in—and I am sure nobody knows this better than U.S. Senators who hear from their constituents what their interests are—nearly every country on the globe. U.S. Government engagement with the rest of the world should be expected to be multi-faceted and complex.

What is true is that the many U.S. foreign aid actors, organizations, and budget accounts make the entire enterprise harder to explain to senior officials, the media, the public, and to justify it to you, the Congress. Government leaders should do a better job communicating the importance of this work. There is a need to coordinate across various U.S. Government agencies in order to align U.S. foreign aid programs with foreign policy goals, avoid duplication, and ensure a smart approach. The paper Paul Clayman and I wrote on the hybrid model also proposes ways to do this.

Before concluding, I just want to say, Senator Voinovich, your question earlier about the continuing resolution and really the reliance, too, on supplementals to fund emergency funding and crises in the world is having an impact on organizations like mine, the International Rescue Committee. What happens is there is a great deal of uncertainty at the start of the fiscal year, when managers, good managers, should be sitting down deciding how many people to hire, where they should be deployed, and how do you set about

operating for the rest of the year. Without certainty, you cannot know that, and, in fact, when you are told that your funding has been cut but you might get more later in a supplemental, what ends up happening is you have to let people go. You have to give up the rent on your property. You have to not order the supplies or send people for training. And it is very hard to do that later in the fiscal year when half or three-quarters of the fiscal year has gone by.

As bad as that is in terms of a management problem, it is really more troubling in life-and-death situations such as the situations some of my colleagues working in failed and fragile environments see. You cannot go back in time and deliver healthy babies after they have been born, you cannot go back and "back-feed" growing children, and you cannot stop the spread of deadly diseases as they are tearing through villages three-quarters of the way through the year. So I would be very happy to talk to you more about that. We have done a lot of thinking about that, both in my organization and within InterAction, our coalition of relief and development agencies.

Let me stop there. Thank you for holding this hearing, and I look forward to your questions.

Senator AKAKA. Thank you very much, Ms. Richard.

Mr. Worthington, please proceed with your statement.

TESTIMONY OF SAMUEL A. WORTHINGTON,[1] PRESIDENT AND CEO, INTERACTION

Mr. WORTHINGTON. Thank you, Mr. Chairman. It is a pleasure to be here this afternoon. I am President and CEO of InterAction, which is the largest coalition of U.S.-based international development and relief organizations.[2]

Foreign assistance plays a critical role in advancing U.S. national interests overseas, and it represents, as we know, our humanitarian values and puts the best face of America forward to the world in many ways. InterAction's 168 members receive $6 billion a year from the American public directly, which is more than twice what they receive in partnership with the U.S. Government. We believe that the cornerstone of our foreign assistance portfolio is development assistance, which at the heart of it should be poverty alleviation. InterAction believes that the chief goal of U.S. development assistance should be to reduce poverty and help countries and people achieve their full potential, and that these reflect American humanitarianism and equal opportunity for all.

The problem today is that we have too few development dollars spread over too many agencies, as we see in these charts,[3] fragmented across 26 different departments, and our aid programs are often poorly coordinated, at best, and at worst, working at cross purposes.

It is for this reason that InterAction and its members believe that the United States should develop a National Development

[1] The prepared statement of Mr. Worthington appears in the Appendix on page 81.

[2] The Policy Paper from InterAction, June 2008, entitled "Proposed Major Components and Organization of a Cabinet-level Department for Global and Human Development," appears in the Appendix on page 144.

[3] The charts referred to appear in the Appendix beginning on page 117.

Strategy and that this National Development Strategy, among other things, should prescribe how foreign assistance programs will be coordinated and integrated with other foreign policy tools for working with low-income countries, assert that poverty reduction is a primary goal of foreign assistance, recognize the role of women in reducing poverty, describe how U.S. development programs relate to the Departments of State and Defense, and lay out how our assistance programs should coordinate with other bilateral and multilateral and other funding, including funding from the U.S. nonprofit community.

This last point about coordination raises another important issue for us, which is the government's capacity to be a good partner in development. Right now USAID, which is our lead development agency, lacks the capacity to coordinate effectively with other bilateral and multilateral donors or of its own partners, including U.S. civil society. The latter problem is caused by the agency's human capital limitations, which we were talking about earlier today, as USAID just does not have the staff to effectively manage the grants and cooperative agreements that are used and comprise its primary funding relationship with the U.S. civil society and NGOs. This problem was exacerbated when the agency's Bureau for Policy and Program Coordination, which handled many functions related to donor coordination, was moved out of the agency into the Office of the Director of Foreign Assistance.

I have made 11 key recommendations in my written testimony that I believe will improve the government's capacity to respond to this coordination, and I would like to share a few of them with you right now.

First, I would urge Congress to work closely with Director of U.S. Foreign Assistance, Henrietta Fore, to implement her Development Leadership Initiative, which is, in essence, turning back some of the challenges that have plagued USAID for the last 15 years.

Second, I urge Congress and the Administration to work together to replace USAID's operating expense (OE) account with a funding mechanism that allows Congress to maintain its oversight, but gives the agency the resources and flexibility it needs to be effective.

Third, we need to prioritize monitoring and evaluation so that USAID can know what works and what does not.

Fourth, to ensure that USAID staff know the difference between acquisition contracts and assistance cooperative agreements. The NGO community has always approached USAID a co-equal partner rather than simply a contracting agency that pays for development programs.

And, finally, we need to elevate development assistance within our government to its rightful place alongside defense and diplomacy, a principle that is well established as part of our government's National Security Strategy.

It is InterAction's position that the best way to elevate development assistance is to create a Cabinet-level Department for Global and Human Development. A Cabinet-level department would streamline the various goals and objectives of U.S. foreign assistance as well as the current proliferation of assistance programs, including PEPFAR and the MCC, and creating a Cabinet-level de-

partment would protect development from militarization by the Department of Defense or subordinated to the tactical goals of the State Department.

Those who suggest that USAID ought to be merged with the State Department underestimate the differences in the culture and the functions between the two agencies. The alignment of development and diplomacy is important. So is the alignment of defense and diplomacy. And yet no reasonable person would ever suggest merging the State Department into DOD. Soldiers enlist in our military to become warriors not aid workers. Similarly, State Department officials aspire to be diplomats not development specialists. Humanitarian development policy experts choose to work at USAID or the Cabinet-level department we propose because they believe they can make a difference in the lives of the world's poor, particularly as it relates to our national interests. InterAction has a paper that proposes how we might organize such a department, which I submit for the record along with my written testimony.

Hundreds of CEOs and InterAction are not alone in seeking a Cabinet-level department. It is an idea that is gaining momentum here in Washington, also the position of the Modernizing Foreign Assistance Network, a bipartisan group of experts from think tanks, universities, and NGOs, of which I am a part.

It is clear that the 21st Century presents us with foreign policy challenges that our current development infrastructure is ill-equipped to handle. We are also at a point in our history when respect for the United States abroad is at an all-time low. At the same time, the next President will take over a country with a large constituency that supports international development, as well as a military that supports improvement in our non-military tools. It is vitally important that he works with Congress to reach a grand bargain that prioritizes these issues and gives the Executive Branch the flexibility it needs to respond to a rapidly changing world and ensures comprehensive legislative oversight.

The United States must elevate development within our government and give it the space it needs to be effective *vis-a-vis* defense and diplomacy, focus our foreign assistance and development programs on a streamlined set of objectives by creating a National Development Strategy, and improve the capacity of our government to partner effectively with U.S. NGOs, with other donors, and with aid recipients.

Thank you, and I look forward to your questions.

Senator AKAKA. Thank you very much, Mr. Worthington. Mr. Hyman, would you please proceed with your statement?

TESTIMONY OF GERALD F. HYMAN,[1] SENIOR ADVISOR AND PRESIDENT OF THE HILLS PROGRAM ON GOVERNANCE, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

Mr. HYMAN. Thank you, Chairman Akaka and Ranking Member Voinovich, for holding this hearing and for giving me the opportunity to appear before you. I ask that my full written testimony be included in the record.

[1] The prepared statement of Mr. Hyman appears in the Appendix on page 94.

Senator AKAKA. Yes. Other materials that are being requested by our witnesses, without objection, will be included in the record.

Mr. HYMAN. Some of the points I wanted to make have already been made by others, so I will be briefer than I might otherwise have been. I am sure you will not object to that.

The first and most important, of course, is that the organization of U.S. assistance is fractured, tangled, mismanaged, and malaligned. That is a point that everyone at this table—and, in fact, Mr. Greene pointed out himself when he said it was fragmented across multiple bureaus and offices within State and USAID. And your chart points that out even more forcefully. USAID was, and remains to some extent, the primary assistance vehicle, although it is deeply troubled, weak, and demoralized, and that needs to be turned around, in my opinion. So the first of these three points is the fractured nature of our assistance programs.

Within the State Department, we have a number of programs that could easily have been managed by USAID and were pulled out for reasons of bureaucratic turf wars, personality, and a whole variety of other measures that had, I think, little to do with the substance of what was going on. That includes PEPFAR, it includes the Millennium Challenge Corporation, and it includes the Middle East Partnership Initiative.

I was in the original group that worked on what became the Millennium Challenge Corporation, and initially that was—a separate corporation was only one of several options available for how to do a program like the MCC program. Pulling it out just was another example of picking away at what could have been or should have been and was a central development agency. That trend, it seems to me, needs to be reversed.

The second major feature—and that is all within the 150 Account, all underneath the Secretary of State, underneath the Agency for International Development. The second point is the point that is on your chart as well, and that is the other government departments that are doing assistance, with the possible exception, sir, of the Bureau for Indian Affairs. It is not obvious to me that there is any department in the U.S. Government that does not have a foreign assistance program of its own, and that creates a huge problem of fracturing, fragmenting, and so on, particularly when people from different agencies are engaged in similar or parallel programs in the same country at the same time and often giving contrary advice. So it seems to me that fracturing is the first issue that needs to be dealt with.

Secretary Rice has tried to deal with that through the 150 Account and the development of the so-called F process and the Director of Foreign Assistance. In my personal opinion, it is a defective attempt. But as Mr. Greene pointed out, they are working on some changes, which I hope will improve the situation dramatically.

My second point: I agree with Mr. Adams—and I am afraid I disagree with some of my other colleagues on this panel—about the advisability of separating the assistance—a coordinated assistance effort into a different independent department separate from the Department of State, for a variety of reasons. First, the new National Security Strategy calls for development diplomacy and defense into the same—into a unified national security policy. I do

not think that separating development out of that is going to increase the coherence of those three. It seems to me it is going to elevate the problems of integration to a higher level, which may require, as Ms. Richard suggested, a NSC arbiter. But it seems to me it is not a wise idea, again, to pull things apart and then move them to the top for integration into the National Security Council, which will wind up having to adjudicate a whole variety of turf and theoretical and implementation issues that it seems to me would be better handled within the Department.

Second, there are other kinds of programs than the pure development account programs, and those are in the ESF accounts. We can talk about and I think it would be useful to talk about joining those two, but the fact is that we do a variety of "development programs" in countries for reasons other than pure development. Haiti, Sudan, the FATA regions of Pakistan, North Korea—the list goes on and on. These are programs that look like development programs done for very different reasons. We are not putting $750 million into the FATA because it is a great development partner. We are doing it for other reasons. And those, in my opinion, are perfectly reasonable to do, perfectly legitimate, and the programs may look like development programs—education, schools, roads, health—but they are done for very different reasons. And that is why you have, we have, separate accounts. It might be useful to come back and relook at those accounts, but those are programs that, again, require diplomacy and development to be linked together, in my personal view.

If you pull them apart, either two-thirds of the "development budget" would not be funded, or it would be funded at levels justifiable only on purely development grounds, or they would be managed by the Department of State while you had a separate development level agency doing the so-called development program. I do not see that the first two are advisable, and the third is neither advisable nor realistic, it seems to me. So I would keep them within the confines of one agency.

The third thing is strategy and tactics. I would be happy to talk about that in the question period, but the fact is that the F process that Mr. Greene talked about merges tax strategy and tactics, hyper-centralizes the decisions in Washington, does not adequately, in my opinion, look at the advantages of the field programs and field expertise. It oversimplifies the character of recipient countries. It undermines the value of our in-country expertise and has damaged the attempt to measure impact, as you discussed earlier.

So I have nine recommendations. I think I am out of time. They are in my testimony, and I will just leave it at that. Thank you so much for the opportunity, and I look forward to your questions.

Senator AKAKA. Thank you. Thank you very much, Mr. Hyman.

I would like to ask my first question of Mr. Hindery. I know you have limited time here. Mr. Hindery, in the four tasks you identified for starting up a new department for International Sustainable Development, you did not include the need to ensure that human capital needs, such as recruitment, retention, or training are addressed, even though you mention these needs as part of your case for starting a separate department.

Do you believe that a new department would already have most of its human capital needs met?

Mr. HINDERY. Mr. Chairman, I think the question is a seminal one, and you have raised it in other contexts this afternoon. This is about quality of personnel. It is about quantity of personnel. But it is also about morale. And in our longer testimony, my colleagues and I on the HELP Commission concluded that all three of them can only be met well in a separate department.

I take exception with some of the other panelists. I think it is the status that would come from a separate department that would address the morale question, and I think that as these three Secretaries sit as partners in this initiative of defense, diplomacy, and development, that all of the management concerns that you and Senator Voinovich have raised could be more easily addressed.

I have had the privilege of being a chief executive of large organizations, and that is an unmanageable chart to your right, sir, absent consolidation and coordination and status—and I really would emphasize, as somebody who has had the privilege of leading large numbers of people, that status is critical. Status is critical to attracting people. It is critical to retaining people. And absent it, I think foreign assistance will not be the success that you and Senator Voinovich might like to see.

Senator AKAKA. Mr. Hindery and Mr. Worthington, in your testimony, you make a case for a new separate Cabinet-level department focused on international development. Do you see any other practical alternatives to this such as improving the F Bureau or somehow keeping the foreign assistance responsibilities within the State Department?

Mr. HINDERY. Mr. Chairman, over the 3 years that the HELP Commission existed—and I was, as I mentioned, its Senate-appointed vice chair—with a lot of exhaustive review, all of the Commissioners concluded that there were only three choices available to this Congress on this issue: A super State Department, that is, the collapse of this activity into the State Department; a much emboldened USAID; or the third alternative, which Mr. Worthington and I and Ms. Richard, I think, are in consensus on, which is the stand-alone department.

We did not find a fourth, Mr. Chairman. I do not think there is one. And it was our conclusion that the negatives of a super State Department belie the principles of three D's as you would have just killed off one of the D's. And as for an emboldened USAID, it would not confront the three charts which you have presented to us today. Just emboldening USAID and managing it better would not fix its structure problem.

I think as a final comment—and I would defer to Mr. Worthington, who is so able on this subject, and to Ms. Richard—there is such a good model in the DfID success that for you and the Ranking Member, you do not have to speculate that this works. It has been proven to work in the DfID model. And I think that would give great comfort, should give great comfort to the next Administration and to this Congress.

Senator AKAKA. Thank you. Mr. Worthington.

Mr. WORTHINGTON. The F process was a beginning of an attempt to engage in coordination, and as such, it should be applauded as

a first step. The challenge is for a community that engages directly with the U.S. Government in the field, that coordination did not go far enough and in many ways was too centralized in the way it related to the field. So one level, we applaud the coordination attempt, but it simply did not go far enough.

The second is a recognition that any attempt to bring all these actors together will only work in terms of how it is reflected in an embassy overseas. You will always have an Ambassador as the primary representative of the United States overseas, but underneath that, right now you do not have a clear actor who is responsible for U.S. foreign assistance on the ground as it relates to different parts of the various programs you have over there. At times, you do not even know who is going to come and visit a country from different agencies.

So our community—and this is a discussion among some 100 different CEOs over a long period of time. It slowly emerged that we needed to have this broader degree of bringing together the different parts of U.S. foreign assistance to simply enable us to work with. Some members of our community are working with 10, 15 different parts of the U.S. Government.

Our challenge was that when we saw the F process come into being, the overall goals and direction of U.S. foreign assistance shifted significantly at the local level and in budgeting to reflect interests of the State Department and diplomatic interests, which are purely—very much valid for U.S. foreign assistance, but we saw that there was no longer the space for what we would view as development was actually narrowing at the time when resources are significantly increasing for development work within the Administration. And that led us to conclude that it was only establishing a more empowered USAID ultimately to a Cabinet-level department under a broad strategy would be the best outcome.

Senator AKAKA. Ms. Richard, would you care to comment on that question?

Ms. RICHARD. Thank you, Mr. Chairman. Where I agree with Mr. Worthington and Mr. Hindery is on the importance of having a USAID that is functioning and that is strong. And I am really surprised that the current Administration, which talked a lot about taking a very businesslike approach to foreign aid, bypassed working to fix whatever is wrong with USAID and set up duplicative, new, and other organizations.

I thought that if one wanted to be businesslike and be a good caretaker of the taxpayers' money, one would have looked at USAID, examined how it was operating, and come up with proposals to strengthen it. And so I would propose that the next Administration do that.

Where I differ from them is that I do not think there is anything magic about elevating an organization to a Cabinet level. To me, that is no silver bullet. I think that what is really needed is that the organization operate very well and have the support of the President and of the Secretary of State, and that will enhance the status, and that will enhance the morale of the personnel in the organization.

Senator AKAKA. Thank you very much for that. I am going to ask Senator Voinovich for his questions.

Senator VOINOVICH. One of the things that I was really happy about when Senator Akaka put this hearing together was that we are kind of at a junction or watershed period where we have a chance to really do something different. And I think one of the things that needs to be underscored is the landscape of the world has changed, and that is, we have a whole different variety of challenges that we must face. But the one thing I would like to ask, Mr. Adams, in the report coming out from the American Diplomacy, have all these people at the table had any input at all in the report?

Mr. ADAMS. Yes, in a variety of ways, they have. Anne Richard is a member of the Advisory Group helping us with that study. That group has taken into consideration all three of the pieces of work: The Modernizing the Foreign Assistance Network in InterAction; the work Jerry Hyman did for the Carnegie Endowment; and the HELP Commission report as well. All of those pieces of work are taken into consideration in the work that we are doing.

Senator VOINOVICH. It seems to me that we have a gigantic public-private partnership, and I think it is really important that you take into consideration the contribution that many of these organizations are making. I think you said, Mr. Worthington, they spend more money than we do combined. And so that is something that is very special, and we ought to be encouraging that, and there ought to be as much coordination going on as possible.

I think the problems that are going to be confronting the next President are enormous in so many areas. I would urge all of you to really get together and get up early in the morning and go to bed late at night trying to come back with some kind of consensus, a recommendation to Congress and to the next President, about how this thing should happen. As I say, the stars are in line. Two years ago, I talked with General Jones about this, as well as the head of Africa—and they all—everybody seems to understand we have got to do something different. But I think that if we get into the next year and we have got people going different directions, it will make it difficult for us to be successful.

I am going to spend a lot of time trying to figure out this concept of a new department because I have experienced—and so has Senator Akaka—this whole new Department of Homeland Security. And it is a nightmare and probably should never have been put together the way it was. And I say shame on the Administration for not coming up here and wrestling with us to say, look, we have got the job to do and this is the way we think we need to do it, instead of letting us kind of impose it; and now that it is not working and things are not going the way they are supposed to, we just say, Well, that is your baby, you take care of it.

I think that is really important to think about how does that get done. You have a lot of different groups out there, and how much more difficult or less difficult would it be than the Department of Homeland Security? We did the Defense Department. There was kind of a thread that ran through all of it, and it was a lot easier to do. You have different cultures, all kinds of things that need to be looked at.

So I would really like you to give some more thought to how to handle that situation, and the other thing, of course, is the issue

of the earmarks that are there. Again, that does not give you the flexibility that you need to look at the programs and how do they jibe together and how you can maximize the dollars that are available.

Mr. ADAMS. Senator, since you asked my view on the department, let me be clear, I do not, in fact, favor creating a separate Department of Development. My views really join Anne Richard's and Jerry Hyman's. The reason I have that view is precisely because, as I said in my opening statement, the reality of our foreign affairs agencies and programs is that there is a substantial degree of integration, overlap, and even cooperation particularly between the State Department and USAID with respect to both program definition, program implementation, and the objectives served by the programs. This is what I called the "gray area." It is really the connection between our foreign policy objectives, our national security objectives, and the important role that development has in those objectives.

USAID does a number of things, not just development programs. It works closely with the Defense Department today in Afghanistan. In Iraq, as you know, it has transition initiatives programs, conflict management, military affairs programs and disaster assistance, all of which focus on the near term. And in the State Department, you have a European Assistance Program that is budgeted and planned by the EUR Bureau in the State Department and implemented in part at USAID. They have to work with each other hand in glove all the time.

In other words, we have a rapidly changing culture—here I do disagree with Leo Hindery—in the State Department with respect to its attention to program definition and implementation and to long term objectives in the field. And we have a foreign assistance organization which can do both long term and short term at the same time.

In my judgment, this is best served—and here I join Anne Richard and Jerry Hyman—by strengthening the capacity of USAID in relationship to the State Department. My recommendation is that a Deputy Secretary of State position for resources and management that exists in law be, in fact, the steering official for the foreign assistance programs of the United States, these programs give both accountability to Capitol Hill and a presence at the decision tables in the White House.

That vision may not have quite all the details right, but it conforms to the reality of U.S. involvement overseas today. Trying to separate out one very specific thing narrowly defined as poverty reduction and development is not an accurate description of what we call "development" programs in the government and would artificially separate out these other policy-relevant programs. Then where is their home? What do they do?

Senator VOINOVICH. Mr. Hindery wants to comment.

Mr. HINDERY. Senator, I think that your concern about the problems around the creation of the Department of Homeland Security are well stated. We looked at that, and we all have to remember that DHS was born out of the tragedy of September 11, 2001, and many of its activities were new in their own right.

Senator VOINOVICH. Pardon me. You said something about the DfID model?

Mr. HINDERY. The DfID model, which is the euphemism for the United Kingdom's stand-alone department. It is called the Department for International Development (DfID).

Senator VOINOVICH. That was the other thing I was thinking about when you were talking. I wonder how other people handle it. So you are referring to the way they——

Mr. HINDERY. The United Kingdom, Senator, has a stand-alone department.

I would go back to the comment about the Department of Homeland Security. We need to remember that much of its problems were because it was also trying to start new initiatives. U.S. foreign assistance already exists, and it has existed for 60 years. It is a noble part of what we do as a Nation.

If you and your colleagues looked at it more as a reformation, a rehabilitation of what we are doing now and not the entirety of a new initiative, as DHS was, the Department of Homeland Security, while it is not an unformidable task, it may be more comforting to your and your colleagues as you try to draw the contrast.

Senator VOINOVICH. Ms. Richard.

Ms. RICHARD. The proposal that I put forward is less than ideal. It was put forward because it is a compromise between people who would like to see a Cabinet-level development agency and people who think that the State Department should do more, should be more in the leadership.

So as a practitioner, Paul Clayman and I were looking for a way to bridge these two communities.

Senator VOINOVICH. How long were you with Secretary Albright?

Ms. RICHARD. I was at the State Department starting in May 1990, working actually for Deputy Secretary Eagleburger, and I was there most of the 1990s. And for 2 years, I reported directly to Secretary Albright on these activities.

Senator VOINOVICH. So you were there for a while.

Ms. RICHARD. Most of the decade of the 1990s I was working on foreign aid and trying to figure out how to work across the agencies that were—and try to bring more coherence. And what is happening today is a much more serious effort than we were able to mount back then, although every Secretary of State has cared about this, and usually the longer they are in the job, the more they care about it because they realize that this is indeed the toolkit they have to make a difference in the world.

So our proposal is a compromise. It is not ideal, but one of the benefits of it is it could be done relatively easily in the first 90 days of a new Administration.

Now, could you do more and could you do something more towards an ideal? Yes, you could, but in order to do that, you would have to have the President personally interested, I think, with the White House behind it, and some sort of understanding at the outset with Congress that there would be joint work to produce something useful.

We have seen how hard it is to get foreign assistance legislation passed in the Congress, and that is why I do not have a great deal of hope that a major restructuring could be carried out. But as you

say, it is an interesting time. There is a lot more attention to this. You may have a better sense up here on the appetite for undertaking something large and sweeping.

I do think there is a consensus that is changing——

Senator VOINOVICH. I am taking too much time. I would like to interrupt you. The thing that is really important here is that you can have a new President, and new Presidents like to do new initiatives. And you are complaining about the Millennium challenge corporation and other things that should have been there, and they did not—they wanted to have something that they could point to. And I think that if there is not a lot of good work done before that and you can go to the next President and say, look, we worked this thing out, we do not think we need to have a new department, here is the way you can get it done and try and say that his initiative will be that he is going to bring these other things together in a special way. I think it is really important you do that because if it does not happen, the new guy is going to come in and say, hey, I am doing it this way, and off we go, and a year from now or 2 years from now, maybe we get something done. We do not have time for that.

Ms. RICHARD. Well, where there is consensus is there is consensus change is needed; there is agreement the United States must be more effective on this. There is a general belief that foreign aid is indeed a useful tool to pursue U.S. national interests. There is a recognition that the United States needs a better balance between military and civilian tools. There is a desire to consolidate the large number of actors. There is an emphasis on the need for coordination, and there is a recognition that we need a longer-term strategic vision for U.S. programs. So I believe everyone here at this table would agree to that and that becomes then the nucleus for pulling people together around those concepts.

In looking at what the candidates have said, they have not come up with well-developed proposals along these lines, but they are talking about change and trying to do more and investing in tools of reaching out to foreign countries and foreign publics. So in order for them to achieve what they would like to do in the concrete, specific proposals, they are going to have to have a better bureaucracy to support that.

Finally, I would like to say that the International Rescue Committee benefits from private fundraising. We get grants from the U.S. Government to carry out programs in the U.S. national interest. We also, though, receive monies from the United Kingdom Government's Department for International Development. And what is interesting to me is that they are very good at funding some of the forgotten and neglected crises. They provide a lot of funding for us for the Democratic Republic of the Congo, which has really fallen off the screen here in the United States, even though there has been tremendous rates of mortality there. And they are also very good at looking how climate change has the potential to really hurt some of the world's more poor and vulnerable people.

So I can only say very positive things about the U.K. example, and I think it is worth looking more at that example and talking more to them.

Senator VOINOVICH. All right. Mr. Worthington.

Mr. WORTHINGTON. I think we have to take into account a fundamentally changed external environment. I mentioned earlier that our community raises $6 billion from the American public. It makes us a donor of the size roughly of France. When you look around the world, many times in a given country, the United States is just one of many development actors in a country. Those actors are the NGO community, the private sector, other development actors and so forth.

The challenge is, as the United States, we then have multiple actors of our own. So when it comes to leveraging things—leveraging private resources, leveraging resources from the NGO community—our government does not take advantage of it the way we could. We could be matching you 2:1 in terms of resources in many types of programs, and yet it is divided across many different actors.

The DfID group is very good at leveraging how the U.K. fits in a given country compared to other development actors in a country, and the United States, by not having a development strategy of where is our specific value-added, where can we make a difference, we do not take as much advantage of that as could other actors.

The other is InterAction did a study of many of our members in terms of the implementation of the F process in the field, and unfortunately, we got some relatively negative feedback, both in terms of morale—and this was feedback from partners of the U.S. Government as well as within USAID. In a sense, at a time when we need to be empowering development within the U.S. Government, we should not be taking steps that disempower it. We need to be able to elevate as much as we can.

Now, whether that leads to a Cabinet level, I do not know, but there has been a lot of consensus, and it goes from the IRC's CEO, other actors within our broad community, to the Brookings Institution, the Center for Foreign Relations, other actors who have gotten together in this Modernizing Foreign Assistance. And whether you go all the way to the Cabinet agency one can debate, but the broad elements seem to run across many different groups, both from the Republican and Democrat, of the need, one, for fundamental reform; two, that there is a need to elevate in some way development to create a greater space for the voice, a capacity to better leverage U.S. interests in development overseas; and to do that under a strategy that is comprehensive and goes across multiple actors within the U.S. Government if it is not just one department.

Senator VOINOVICH. Thank you.

Senator AKAKA. I thank Senator Voinovich for his questions. For the second round, I have just two questions, and I will also call on Senator Voinovich again. But this question is for the panel.

Like the military, the Foreign Service prefers to recruit most of it officers at the entry level. Dr. Adams suggests recruiting FSOs at the mid-career levels may be preferable since many, especially those who have served in the military, NGOs, or the business world, may bring programmatic, technical, or other critical skills.

Do you think that the Foreign Service culture, especially at USAID, could find a greater role for mid-career-level employees who desire to join the Foreign Service? Are there any obstacles that would prevent this from happening on a large scale?

Mr. ADAMS. Maybe I should start since I made that point in my testimony.

The answer is yes and yes. What is crucial here is that the Foreign Service is changing, and as everybody at the table has said, the world is changing. And so how we engage as a Nation in statecraft is, therefore, changing. And the old model and culture of "report, represent, and negotiate" does not work even for the Foreign Service officers at the State Department. And because of the damage amply demonstrated in your chart, the new culture of managing contracts does not work very well at USAID either.

The reality is that for both of these organizations and more broadly, we need to recruit a new generation, people who are able to walk and chew gum at the same time. Who are prepared to be both managers and diplomats, both planners and implementers, and be engaged in the field. And if you put all of those pieces together, it means both organizations need, and I think our report is going to make this point very strongly—to recruit, train, promote, incentivize, and cross-assign the personnel who promote our foreign policy interests.

Can they do this at the mid-career level? Yes, they can. The Foreign Service Act that was passed in 1980 is both simple and explicit on this question. It is completely possible and within the range of the law to recruit people at the mid-career level and to recruit them very broadly with respect to specialization. And that is important. If you wait until junior officers come in with that skill set, it is going to be a very long time before they get to the level where they are defining and implementing programs, making a difference in the field. So you want to start fast, hit the ground running, and be bringing in people at the mid-career level.

The obstacles are in the personnel rules in the two departments. But even USAID has moved beyond that. They are deliberately setting out explicitly, as part of the expansion you heard described earlier by Richard Greene, to recruit people at the mid-career level with the technical and field specializations that they need. So it is entirely possible. This is simply an act of will in the two departments to proceed down that road.

Senator AKAKA. Thank you. Ms. Richard.

Ms. RICHARD. I agree with what Dr. Adams said. I also might point out that the staff of the State Department and USAID are made up of political appointees, Foreign Service officers, civil servants, Foreign Service nationals, some nationals of the countries in which embassies are located who are the locals. And the U.S. Agency for International Development, it has a Foreign Service, has civil servants, and, of course, there are consultants and occasionally people on loan, such as people from the Pentagon.

What has happened is that when any kind of change is proposed, because of the environment in which everyone is working, there are always concerns that the change will be negative, that somebody is going to lose something. There are going to be less benefits or less pay or less opportunities. And this is not a good way to run organizations. There has to be more working together to build an esprit de corps and to take advantage of a very diverse workforce and really pull out people's best talents and have them move quickly into new areas to confront new challenges. And because, in part,

I think the personnel always feel under threat that something is about to be lost, they are very defensive to any kind of reforms or changes. And I think that there has to be a better look at what is needed and modeling a staff that can then address what is needed.

Thank you.

Senator AKAKA. Mr. Worthington.

Mr. WORTHINGTON. The U.S. nonprofit community has over 200,000 people working in development around the world, and we bring in experts from the United Nations, from the private sector, and other areas. The idea that you would bring in mid- to senior-level people in the U.S. Government makes a lot of sense. The challenge is: Are these jobs that people want to take? Are these jobs that are interesting?

We are looking at the type of people that are coming in this new increase of Foreign Service officers. Now, many of them are coming from a background of a significant interest in transitional States and post-war conflict. So when we look at the world, it is not necessarily through development, but it is looking at the world through a lens of war.

Our challenge is we need to bring in people who are also looking at the world through a lens of how do you improve the well-being of people and do so at the mid-career level and, in essence, be competitive with other types of jobs like our community where there is much more flexibility with private resources.

Senator AKAKA. Dr. Hyman.

Mr. HYMAN. Thank you, Senator. I was in USAID when we went back and forth between the very two things you are talking about. You can do it; definitely, you can do it. USAID did it. You get into this list of alphabetical acronyms. They were called NEPs, new entry professionals, to distinguish them from the earlier group, which were called IDIs, international development interns, or something like that.

So what happened, of course, was that the people who came in at the bottom, so to speak, or earlier in their career got lower ranks. The people who were brought in later for so-called more professional got higher ranks. So the people that had been in the Foreign Service had served overseas for X numbers of years were suddenly confronted with Mary or John who comes in at a higher rank than they are in without having been in any of these countries.

That can be overcome, but there are problems of managing personnel with bringing in people at higher levels. Definitely it can be managed. In my personal opinion, I think the best way to do this would be to have an agreement between the Congress and the Administration that we are going to go on a certain path and we are going to stay on it, we are not going to go back and forth.

After the so-called NEP experience, now Administrator Fore is going back to the earlier model, bringing people in at a lower level. So the people coming in now are saying, "Well, why don't I get a GS–3 rank? Why do I get a GS–6 rank? I am not any worse than so-and-so."

It seems to me that this going back and forth and back and forth is part of the morale problem in USAID and other agencies, and that really gets, Senator Voinovich, to your point earlier about initiatives.

One of the recommendations I made here is that the Congress resist this continuous attempt to have new initiatives with the new mark of whoever has come in at the top. Whether it is the President, the Secretary of State, or the USAID Administrator, there is a flood of new initiatives in almost every Administration, and many of them do not live long through the Administration, let alone enduring through the next Administration.

The Foreign Service and the civil service bounce back and forth between every new initiative, and it seems to me Congress could do a great service by avoiding or trying to resist or asking for resistance of constantly having new programs, new directions, new personnel systems, new program initiatives, etc.

That said, going back to the point that was made earlier, one of the reasons that USAID and the U.S. Government, I think, are going to have a more complicated assistance structure than, let's say, the U.K. system, the U.K. system is devoted to poverty reduction. As Mr. Worthington said, he thinks that is the primary thing for our assistance program. If it is, you may very well be able to create a U.K.-type structure. But our structure has a multiplicity of purposes and a multiplicity of functions. If we do not want to do that, fine, then we should limit our assistance program to poverty reduction. That is not where it is now. It has now got anti-terrorism dimensions; it has state foreign policy dimensions. It has a whole variety of things that are all engaged in the way in which projects are put together. If you have that kind of complicated function, then you are going to get a complicated form as well. It is just like regular architecture. Organizational architecture, form ought to follow function. And we have a complicated series of functions and, therefore, need to look at what forms will best achieve those kind of functions. And I think that is where I think you were driving at, Senator Voinovich.

Senator AKAKA. Thank you very much, Mr. Hyman. As I said, I had two questions. Now, the last one, you heard Mr. Greene give his top three recommendations for improving the foreign assistance bureaucracy, and I am going to ask the panel to submit—each of you submit your three top recommendations in writing to the Subcommittee.

Now I would like to ask Senator Voinovich for any questions or final remarks.

Senator VOINOVICH. I just think this has been a great hearing, and I really appreciate all the work that you all have done, and your organizations. There is this tendency when you come in to try and do new things and build on—it is hard to say we want to have—I will just remember back when my predecessor was Governor Celeste, and he put a lot of money in "Ohio is the heart of it all." And my people came in and said, "We have got to change this." I said, "What do you mean we have to change it?" "Well, we have to have our own thing." And I said, "This State spent probably millions of dollars in hustling this 'Ohio is the heart of it all.' Why would we want to change that?"

And then he put in place the Edison Centers. "Well, we have got to have our own centers." I said, "These things are working. Let's take what he has and let's build on it and make it better."

That is why I think it is real important that you guys keep doing what you are doing so that we get this information over to whoever the next President is and they do not come in and try and reinvent the wheel, and take the best of your thoughts and put it together and also do a good job of coming up to the Hill and lobbying and try to get some of our colleagues to understand that some of these earmarks and so on really are not helping the situation and we are not getting the best return on our investment because it does not allow us to put our dollars where they are needed most. For example, the international de-mining group. And it is amazing to me how much money they are leveraging today. We put in, I think, $10 million, and they leverage another $10 million. And, frankly, they could even leverage more than that if we did the match. So there is this concept of how you can take your dollars and maximize them and get a bigger return on your investment is extremely important. That is why this public-private partnership I think is so important.

The last thing I would say is that Senator Akaka and I have been trying for the last 10 years to deal with the issue of human capital, and we are talking about bringing people in from the middle level. Do you all believe that we have enough flexibilities to make that happen? Because I think the last time we looked, we only bring in about 13 percent of the people who work for the Federal Government that come in at a middle-level area. One of the things that we did was leave. If you work for the Federal Government—maybe it is different in the State Department. You are here for a year, you get 2 weeks. You are here for 3 years, you get 3 weeks. And then you are here for 15 years, and you can get a month. And we have changed that situation. We have changed the paying off of loans—well, that does not so much deal with people coming in at mid-level. But do you think we have enough flexibilities there to go after some of these folks?

Mr. ADAMS. My sense, Senator, is that you do. The issue that Jerry Hyman put his finger on is real; that is, you are dealing with an existing workforce and you have brought most of them in at a non-mid-career level and created an expectation about how they will move up through the career ranks. And, inevitably, the management challenge in doing what you are recommending—and I think it is highly desirable—is managing the career expectations of the people who are there.

One of the keys to this is on the budgetary side, ensuring that we are expanding what we are expecting of the organizations. And expanding their funding. We are going to recommend in the Stimson Report, an expansion of the number of positions, which will require more funding. More positions and more funding will help alleviate some of the tension Jerry Hyman is talking about. But it definitely is an HR management issue to ensure that as you recompose the workforce and bring in the skill sets you need, you are not creating resentment and ill will in the existing architecture.

It is a management challenge, but my sense is in law there is virtually no impediment. The challenge is going to be in managing the regulations and structures in the HR processes in the organizations.

Senator VOINOVICH. You are going to have to bring in somebody who is really good in terms of HR or identify somebody already in the shop that can really understand that.

Mr. ADAMS. There are two keys here. One is bringing in somebody with the level of expertise and knowledge and credibility to run the foreign assistance operation, someone who really knows what they are doing. It is not just another political appointee. Somebody with real skills and talents. In my judgment, 75 percent of this is an HR issue, and that means bringing in somebody who has the real skill to do this HR job.

Senator VOINOVICH. Thanks very much.

Senator AKAKA. Thank you very much. I would like to thank all of our witnesses for being here today. There are many challenges that face our foreign assistance bureaucracy, not the least of which is, as we have been talking about, human capital. I believe that it is vitally important to establish a clear national strategy to not only guide our foreign aid efforts, but also to facilitate the effective management, coordination, and staffing so that our national interests can be attained.

This Subcommittee will continue to focus on reforms of critical aspects of our national security. Our next hearing will explore the evolution of challenges to the public diplomacy bureaucracy.

The hearing record will be open for 1 week for additional statements or questions from other Members of the Subcommittee. This hearing is adjourned.

[Whereupon, at 4:29 p.m., the Subcommittee was adjourned.]

APPENDIX

Testimony of Richard L. Greene
Deputy Director of U.S. Foreign Assistance
"A Reliance on Smart Power – Reforming the Foreign Assistance Bureaucracy"
Senate Committee on Homeland Security and Governmental Affairs
Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia
July 31, 2008

Introduction

Chairman Akaka and Ranking Member Voinovich, thank you for calling this timely hearing. The degree of turmoil and poverty in the world right now poses both challenges and opportunities for our assistance programs. I welcome this opportunity to discuss with you the ways in which we are working to improve the delivery and effectiveness of the U.S. Government's (USG) foreign assistance programs.

In the United States today, old divisions between those who saw foreign aid as a tool to influence strategic partners and those who viewed it as a means of doing good in the world are giving way to a new unity of purpose. Our altruistic goal of improving lives around the world is consistent with our national security goal of making the world a more secure place for the United States and its allies. Indeed, it is increasingly clear that development plays a critical role in national security. By addressing the long-term conditions that lead to despair and instability, development takes its place alongside diplomacy and defense as a key component of national security. When our programs address the problems of unresponsive governments, health crises, enduring crime and poverty, they make the world a safer place.

The President's National Security Strategy makes clear the critical role that the State Department and the U.S. Agency for International Development (USAID) have in achieving national security objectives. At any time, in many places around the world, the U.S. Government is engaged in a wide range of necessary and interconnected foreign assistance objectives – promoting long-term economic growth and development; reducing poverty; fighting disease; providing military assistance and training; promoting post-conflict reconstruction and recovery; delivering humanitarian response; improving governance, transparency, and accountability; strengthening democracy and civil society; and the list goes on. Each of our major foreign policy tools – diplomacy, defense and development – can help achieve development progress. But they can do so effectively only if we synchronize our efforts in all three areas. Today, as never before, we must ensure that our foreign policy and foreign assistance institutions – civilian and military – work together to achieve development results that promote our humanitarian and national security goals around the world.

We have recently seen several significant reports on the future of U.S. foreign assistance and the ways in which the United States organizes, funds and delivers aid programs. The consensus in these reports is encouraging; they make a bipartisan case for increasing investments and for modernizing aid structures to reflect the importance of meeting global development challenges.

We have invested considerable effort to improve the coherence and effectiveness of our foreign assistance architecture. Our overall approach has many features, including increased funding levels; the creation of a new structure to coordinate USG strategic and operational planning, integrated

budget formulation and execution, and performance management; a bigger, better trained and supported workforce; a focus on country needs in our planning and budgeting; enhanced civilian-military coordination and delivery; expanded private-public partnerships; a new rapid response capacity through the Civilian Response Corps; a renewed focus on monitoring and evaluation of our programs; improved coordination and information sharing with other donors, host countries, and partners through the Global Development Commons and other mechanisms; and increased development planning and coordination with other governments. In my remarks today, I'd like to focus on the first three key components I mentioned: funding levels, new approaches to managing foreign assistance, and the workforce needed for delivering our assistance programs.

Funding Levels

There are numerous recent examples where the Administration and the Congress have worked closely together to provide development funding commensurate with the challenges and opportunities that exist around the world. As a result, the USG has nearly tripled Official Development Assistance since 2001. We are on track to double our assistance to sub-Saharan Africa between 2004 and 2010. Perhaps the most significant example of sustained funding focus is the President's Emergency Plan for AIDS Relief where we have already invested nearly $19 billion in programs designed to reduce the transmission and impact of HIV/AIDS, with the goal of treating two million people, preventing seven million infections, and caring for ten million people. Yesterday (July 30), the President signed into law a bill reauthorizing a second five-year program of $48 billion. A second major initiative launched in 2004

with strong Congressional support is the Millennium Challenge Corporation. The Corporation has now signed compacts with 16 nations based on the principle that aid is most effective when it reinforces good governance, economic freedom, and investments in people. In addition, the President's Malaria Initiative is investing $1.2 billion over five years to reduce deaths due to malaria by 50 percent in 15 African countries. Also, we have increased our investments in post-conflict countries and countries struggling to emerge from conflict, such as Iraq, Afghanistan, Sudan and Liberia. Comprehensive reform has many facets, but clearly one of the first is securing adequate overall resource levels for foreign assistance. I think both Congress and the Administration can take pride in the significant resources and the focus on results that we have provided to important programs that are transforming lives overseas and making our world more secure.

Reforming the Foreign Assistance Process

Two years ago, Secretary Rice reviewed the challenges of effectively delivering and programming foreign assistance. What she identified was a complex system in which responsibility for managing foreign assistance was fragmented across more than a dozen USG agencies and among multiple bureaus and offices within State and USAID. Our foreign assistance was stove-piped into numerous accounts, overseen by a multitude of offices, each with different standards of measurement and different ways of judging success or failure. This fragmentation made it difficult to plan coherently and could lead to conflicting or redundant efforts. Multiple lines of authority made accountability more elusive and impeded efforts to integrate our foreign assistance with our broader foreign policy objectives.

Secretary Rice recognized that our assistance programs must become better organized and integrated to meet the national security, development and humanitarian challenges of the 21st century. The achievement of foreign assistance goals is critically important for both the United States and our partner countries. Therefore, in 2006, Secretary Rice launched an effort to improve the coherence and effectiveness of U.S. foreign assistance. Secretary Rice established the position of Director of U.S. Foreign Assistance with authority over most assistance programs developed and delivered by the Department of State and USAID. The Director of U.S. Foreign Assistance is simultaneously the Administrator of USAID. This "dual-hatted" structure helps to ensure that our overall foreign assistance programming has a strong development emphasis and that it is also closely tied to our foreign policy objectives.

The Office of the Director of U.S. Foreign Assistance (DFA) is working toward bringing a "whole of government" approach to our foreign assistance programming. This approach is guided by an overarching goal – a goal Secretary Rice has articulated as Transformational Diplomacy: *to help build and sustain democratic, well-governed states that respond to the needs of their people, reduce widespread poverty, and conduct themselves responsibly in the international system.*

As an important first step to bringing about policy coherence, we have started to implement and refine the basic management tools necessary to ensure assistance programs across the U.S. Government are linked to our foreign policy goals. We have developed a Foreign Assistance Framework as an organizational tool to describe a broad swath of foreign assistance programs.

The Framework creates a common language for categorizing and tracking our foreign assistance activities. This set of common definitions allows us to compare partner, program, and country performance in State and USAID programs and across sources of funding. We are using this new tool to help create detailed, country-level operational plans that describe how resources are being used. Operational plans help us determine whether our foreign assistance is aligned with our goals in a particular country; with whom are we working – both inside and outside the USG; how much are we spending across the board; and, finally, what results are we achieving.

We are also implementing a more integrated budget process in Washington and at posts. We have brought a much stronger country focus to both budget and implementation decisions. For the first time in Fiscal Year (FY) 2008, and then again in FY 2009, we submitted a foreign assistance budget that fully integrated the State and USAID requests for individual countries, while taking into consideration the totality of USG resources, including the Millennium Challenge Account.

In addition, we are working to integrate the foreign assistance efforts of non-State and USAID entities. We are piloting a strategic planning process whereby stakeholders from across the USG – not just State and USAID – are working collaboratively in Washington and in the field to develop country-specific foreign assistance strategies. This interagency-approved Country Assistance Strategy (CAS) process is being tested in ten countries around the world. A CAS will articulate the USG's top four or five foreign assistance priorities in a given country within a five-year period. The CAS process provides a forum for USG departments and agencies to discuss their current and

planned programs in a given country so that each agency's programs can be fully leveraged and maximized and brought into closer alignment with the host country's conditions and its own definition of development needs and priorities. The CAS will be a public document to communicate the top USG foreign assistance priorities to our host country government partners, other donors, key stakeholders in civil society, including the private sector, and others. As the pilot phase of the CAS wraps up this fall, we will be working with our interagency colleagues to refine the concept.

We are also developing tools to help us measure the success of our programs and compare results across countries and accounts. We are implementing a set of standard performance indicators that allow us to aggregate results and learn lessons about which programs work best in which conditions. This effort to more robustly manage our performance is an important step toward greater transparency and accountability in our assistance programs.

We are two years into this major effort to reform foreign assistance. It is fair to say that the initial implementation of the reform effort was met by some serious criticism. However, I think it is also fair to say that over the past year, we have seen significant improvements in many of the key areas of concern. So while we have made many important strides, we also recognize that there is much more to do. We approach the foreign assistance reform process conscientiously and constantly strive to improve our systems so that they enable us to manage aid more effectively while giving the necessary latitude to our staff in the field, who must respond to local realities in the delivery of our programs.

Development Leadership Initiative

Finally, successful foreign assistance reform depends upon our ability to rebuild USAID's core development capacity. Department of Defense Secretary Robert Gates recently delivered an important speech at a U.S. Global Leadership event. In it he stated, "It has become clear that America's civilian institutions of diplomacy and development have been chronically undermanned and underfunded for far too long – relative to what we traditionally spend on the military, and more importantly, relative to the responsibilities and challenges our nation has around the world." Simply put, we need many more better trained and supported people to work in new ways to support the achievement of USG development objectives. Staffing has not grown commensurate with the tremendous growth in programs and funding levels; USAID's workforce and infrastructure must keep pace.

Consequently, Administrator Henrietta Fore launched a three-year plan to significantly increase the size of our development corps. The Development Leadership Initiative (DLI) aims to strengthen and invest in USAID's critically important permanent Foreign Service Officer corps. Not only do we need to ensure the size of USAID's workforce keeps pace with the significant increases in USAID program management responsibilities, but we also need to make sure the workforce has the necessary expertise and skills to tackle 21st century problems. To launch the DLI, our FY 2009 budget request includes $92 million, which will allow USAID to hire an additional 300 Foreign Service Officers, a 30 percent increase in the career Foreign Service workforce.

DLI will address critical staffing shortages in program management and technical areas, which will provide increased accountability in U.S. foreign aid programs. USAID needs more officers with technical skills in education, agriculture and the environment, economic growth, democracy and governance, and health. It needs more contracting officers, legal advisors, and financial managers to strengthen host country institutions as well as stewardship of our funds. USAID needs more talent on the ground, in more countries, with the resources and skills to help build the capacity of people and institutions. We are most appreciative of the strong Congressional support for these efforts reflected in the recently passed supplemental and the initial FY 2009 House and Senate appropriation marks.

The overall request for USAID administrative accounts also includes a significant increase in the resources for training and information technology from the FY 2008 enacted levels. Agency leadership recognizes the importance of a well-trained workforce. Efforts are underway to expand technical and leadership training, modernize delivery mechanisms, including broadening e-learning opportunities, and greatly increasing the number of officers conversant in Arabic, Chinese and the languages of South Asia, Southeast Asia, and East and West Africa. USAID needs to modernize antiquated business systems to improve procurement and financial management processes, continue e-government initiatives, and improve the Agency's ability to report results.

Conclusion

So where does that leave us? We now have a greater development focus and sense of USG unity about how, why and what we are doing to accomplish

our foreign policy and foreign assistance goals. Our foreign assistance reform effort, while still in the formative days, has made significant progress in bringing U.S. foreign policy objectives into closer alignment with resource allocations and in creating coherency across country programs. We have taken the first steps to reinvigorate USAID's development corps.

However, reform and institutional change take time. We need more flexibility in funding streams. We need programs that are demand-driven, not ones that are dictated by the type of funding available. We need to recruit and retain a robust work force, with strong operational and technical skills. We need to further streamline our planning and allocation processes. We need to fully implement a whole of government approach that achieves better coordination of USG foreign assistance programs.

These steps are essential to develop, implement and sustain a coherent USG foreign assistance program that can more effectively link with the efforts of many countries and organizations to successfully impact the lives of millions of people around the world.

And to be successful, we need the active engagement of Congress, public and private partners, and the international community.

In closing, the one word that captures where we are in our efforts to help better achieve development goals is "More." There are more issues to consider, more complexity, more aggregate resources, more information about what works and what is important, more understanding of the impact of not coordinating defense, development, and diplomacy goals and more international

focus on improving our collective foreign assistance performance. But most importantly, there is more promise and more potential for achieving long-term sustainable development goals around the world. Progress can only be made if we have a sense of shared community goals and efforts. There are clear signs we are heading in that direction and I salute the members of today's second panel for their leadership role in this effort. Modernizing foreign assistance is necessary. It's urgent. And, it's essential to our national security.

Thank you very much. I would be pleased to respond to questions at this time.

TESTIMONY OF LEO HINDERY, JR., ON FOREIGN ASSISTANCE REFORM BEFORE THE SENATE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE AND THE DISTRICT OF COLUMBIA, JULY 31, 2008

Mister Chairman, Mr. Ranking Member, and other Subcommittee members, I am Leo Hindery and I was the Vice Chair of the HELP Commission, which was created by Congress in 2005 to reflect on how best to reform the tools of development assistance. It is an honor for me to appear before you today to testify on foreign assistance reform.

I along with two other HELP Commission Members – Jeffrey D. Sachs and Gayle D. Smith – prepared a Minority Commission Report entitled "Revamping U.S. Foreign Assistance", and I ask that you place that entire Minority Report into the record. Today, I want to discuss our five significant conclusions which are relevant to this Hearing.

Even though the principle has been part of U.S. foreign policy doctrine for sixty years, our first conclusion was that the United States must continue to promote development assistance as a core pillar of national security and American moral values, since this principle is no longer universally embraced. The 2006 National Security Strategy of the United States explained well the rationale and imperative of development assistance when it said that: "America's national interests and moral values drive us in the same direction: to assist the world's poorest citizens and least developed nations and help integrate them into the global economy...Development reinforces diplomacy and defense, reducing long-term threats to our national security by helping to build stable, prosperous, and peaceful societies."[1]

Our second conclusion, and an extremely important one, was that the U.S. should immediately establish a new separate Cabinet-level "Department for International Sustainable Development". This new Department would house USAID, PEPFAR, the President's Malaria Initiative, and Millennium Challenge Corporation, plus all new emerging initiatives such as in climate change.

The case for a separate Department rests on the five principles:

- The need, as I mentioned, to upgrade U.S. development assistance as a pillar of U.S. national security;
- The need to improve U.S. Government management and expertise in public health, climate change, agronomy, demography, environmental engineering, and economic development;
- The need to work effectively with similar cabinet-level departments and ministries in partner countries;
- The need to de-politicize development assistance, so that it can be directed at the long-term investments that are critical in the fight against poverty, hunger, disease and deprivation; and
- The need for coherence of U.S. policies which impact international sustainable development.

[1] The United States National Security Strategy 2006. pp. 32-33. Available online at: http://www.whitehouse.gov/nsc/nss/2006/index.html.

The current system in which USAID is a part of the Department of State is, simply stated, failing. U.S. aid is excessively politicized by connecting aid with short-term foreign policy exigencies and domestic policies, and until the status of sustainable development within the Government is improved, the U.S. Government will also be unable to attract the best experts in the development fields.

The shift in the United Kingdom in 1997 from having a sub-cabinet development agency to having a cabinet-level department called DfID has dramatically increased the standing, reputation and expertise of the United Kingdom in the area of international development. Consequently, DfID is far ahead of USAID as a global thought-leader in development policy, and relatively more successful.

The new Department which we propose would have four specific tasks in its start-up years in addition to its development challenges:

- First, re-focus aid efforts. It would bring together countless aid programs now strewn in a disconnected way across the U.S. Government. It would fix the procurement and contracting systems, widely regarded to be broken. And it would promote results-based aid delivery with monitoring, accountability and audits.
- Second, leverage civil society and the private sector. It would promote partnerships with civil society and the private sector. Businesses especially would be encouraged to utilize their technologies (in sectors such as health, agriculture, energy, logistics, and finance in partnerships with the U.S. Government and multilateral agencies.
- Third, focus on fragile states. It would pay special attention to *fragile states*, including the extreme poor, environmentally threatened regions, and post-conflict environments where development aid can make the difference between economic growth and stability, on the one hand, and state collapse and violence, on the other.
- Fourth, integrate all development tools. It would be charged with harmonizing the range of development instruments, including development assistance, macroeconomic support (such as debt cancellation), trade policies (such as the African Growth and Opportunity Act), transparency initiatives (such as the Extractive Industries Transparency Initiative), and other tools of diplomacy and development.

The United States and the other developed countries have long recognized that the development financing burden and support for economic development in the poorest countries must be a shared global effort, based on mutually agreed targets. Thus our third conclusion was that the U.S. should make concrete efforts to follow through on the commitment which it and twenty-one other major donor countries made in the Millennium Declaration of 2000 to having their respective Office Development Assistance (ODA) be 0.70 percent of GNP, which would put the world on a pathway to achieve the end of extreme poverty by the year 2025.[2] However, despite our nation's public commitment to the 0.70 percent figure, which has been re-confirmed by every nation at each G8 Summit since 2000, U.S. ODA in FY 2007 constituted just 0.16% of national income. As the European Union already has, the United States should aim to reach 0.50 percent of GNP by the year 2010 and 0.70 percent by the year 2015.

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[2] Based on the work of the UN Millennium Project and WHO Commission on Macroeconomics and Health, and consistent with the findings of the 2005 Africa Commission of the U.K. Government.

It should be noted that while some Americans believe that the current low level of U.S. ODA is offset by a uniquely high level of U.S. private aid as a share of GNP, this is simply not the case, and this perception should not be used to obviate our commitment. U.S. total giving as a share of GNP, *even including private aid*, remains near the bottom of the donor rankings, with a combined share of still only around 0.23 percent.[3]

Our fourth conclusion was that U.S. political leaders should explain to the American people both the substantial overall progress in economic development and the international development commitments that have been made, in order for the American people to want to continue funding our fair share of foreign assistance.

In the broadest terms, the efforts to promote economic development around the whole world during the past fifty years have actually been highly successful, and the biggest development successes have come in Asia, but other successes are also part of the recent history of Latin America, the Middle East and North Africa. The biggest challenges are now concentrated only in a much smaller part of the world, especially large parts of sub-Saharan Africa and some parts of Asia where there are the highest disease burdens, the poorest infrastructure, the greatest vulnerability to droughts and other hazards, and the least access to the sea.

It should be further noted that while Americans broadly support effective and large-scale development assistance, they grossly overestimate the actual amount of aid given by the U.S. overall and to Africa specifically. Americans consistently perceive that U.S. foreign assistance spending is around 20 percent of the federal budget, which they would like to be around 10 percent. However, since our actual assistance figure is only around 1 percent of our budget, we are in the paradoxical situation where the public would like to "cut" aid from an imagined 20 percent of the budget to "only" 10 percent, even though the 10 percent figure would actually be a tenfold increase over the real level of aid.

Our fifth conclusion had to with (1) what works and doesn't work with ODA and (2) modernizing U.S. development assistance in the 21st century, all of which is particularly germane to this Subcommittee's strong interest in organizational process.

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[3] In 2004-5, 0.23 percent of GNP (i.e., 0.17 official plus 0.06 private). The Hudson Institute identifies much larger estimates of private giving in its Index of Global Philanthropy, specifically around $30 billion per year, broken down as follows: Private Voluntary Organizations (PVOs), $13.4 billion; faith-based groups, $5.4 billion; universities and colleges, $4.6 billion, U.S. foundations, $2.2 billion, and American corporations, $5.1 billion. However, there is strong reason to believe that these estimates do not reflect true development assistance. With regard to the PVO estimate, for example, while it attempts to cover international projects, it does not distinguish between development-oriented activities and other activities. In turn, the estimate of development aid from faith-based groups is without explanation of the development activities covered or of the services delivered by religious groups. The estimate for university giving is based on purported values of scholarships to foreign students in the U.S. from developing countries regardless of country of origin or personal means – yet notably, only 6 percent of the students are from the poorest continent, Africa. Finally, the estimate of corporate giving is dominated by a non-credible estimate of $4.2 billion of in-kind donations by U.S. pharmaceutical companies, with no verification that the stated values of the donated products are not simply the patent-protected market prices in the U.S., even though, through generics producers, they may be available to recipient countries at a small fraction of the patent prices.

The discussion on aid effectiveness is often clouded by confusions, prejudices and simple misunderstandings. Many studies try to find a correlation between overall aid and economic growth, and when they find little positive correlation, they declare aid to be a failure. Yet the low correlation does not prove that aid is failing, since much of the aid is directed to countries in violence, famine or deep economic crisis. It is not a surprise, therefore, that aid is often correlated with "economic failure," not because aid has *caused* the failure but rather because aid has *responded* to failure.

We need a much more sophisticated approach than standard simple correlations to judge the effectiveness of aid. We need to assess the objectives of specific aid programs and whether these objectives are fulfilled. Did the food aid stop starvation? Did immunizations save lives or eradicate diseases? Did infrastructure spending on roads and ports help to generate new employment in new industries? Did aid for schooling raise enrolments, completion rates, and literacy? Did farm aid increase the productivity of farms?

Another massive confusion in the public debate is the sense that vast amounts have been spent and that no development has resulted. This view is doubly incorrect. On the one hand, aid has *not* been vast, at least in comparison with national incomes, the population of recipient countries, and spending on other areas of concern (e.g., defense). This is especially the case regarding Africa, a region that is regularly maligned for alleged mismanagement of aid yet regularly neglected in actual aid flows. On the other hand, in most parts of the world there have been vast development successes, with stunning increases in average incomes, life expectancy, child survival, literacy, school completion rates, and other gains.

Yet another confusion results from the fact that we regularly overload our development assistance by trying to accomplish too many things, especially things not well suited for development aid. It is notable, for example, that one-third of US development aid is currently directed to "strategic nations," especially in the Middle East, rather than to the world's poorest nations. We often use our aid to buy allies, to directly or indirectly finance the war on terror, to create peace between Israel and Palestine, to fight drug trafficking in the Andes and Afghanistan, and more.

There are six keys to success in development:

- First, interventions should be based on powerful, low-cost technologies. The main underlying force of economic development is technological advance. It is not surprising, therefore, that successful development assistance typically involves the diffusion of a powerful technology, such as high-yield seeds, immunizations, modern contraception, or Internet connectivity.
- Second, interventions should be relatively easy to deliver and based on expert-systems and local ownership. Modern technologies are embodied in systems. Vaccinations, for example, are delivered on specific timetables for young children, while high-yielding seeds are deployed in specific packages of farm inputs (e.g., combinations of seed, fertilizer, irrigation and agricultural extension). The key to success is to deploy the technology in a system that is evidence based, scientifically sound, administratively feasible, and tailored to local conditions.
- Third, interventions should be applied at the scale needed to solve the underlying problems. The key to success is not the demonstration of the underlying technology, but rather the deployment of the technology at a scale to make a difference. Typically, once the technology is known and the expert

system has been identified, rapid scale up is possible, building on global strategies and local adaptation and support.

- Fourth, interventions should be reliably funded. Budget outlays should be over a sufficient period of years so that participating countries can be confident of sustained financing, and therefore can build institutional systems and provide training and capacity building.
- Fifth, interventions should be multilateral and draw support from many governments and international agencies. The greatest development challenges – extreme poverty, hunger, disease and lack of infrastructure – are beyond the financing capacity of any single donor country. Moreover, a unified effort is more efficient than a congeries of small and disparate projects.
- Sixth, interventions should have specific objectives and strategies so that success rates can be assessed. Development assistance programs should have clear objectives (e.g., coverage rates of immunizations, hectares planted with high-yield seeds, timely isolation of smallpox outbreaks, etc.), and they should not directly aim for excessively broad and overarching goals such as "democracy" or "the end of terror", even though broad goals such as these can appropriately be among the direct and indirect motivations for the interventions. But only with specific objectives can there be measurements, auditing, evaluations and re-assessments as needed.

Finally, the U.S. development assistance effort must be updated to the conditions of the early years of the 21st century. This means that the development goals must be made clear and appropriate, the technologies must be identified, and the systems for delivery must be assessed:

- Goals. The priorities for U.S. development assistance should be based mainly on the development commitments that the U.S. and the rest of the world have made in recent years after considerable diplomatic and scientific discussions and negotiations. At the core of the effort should be the Millennium Development Goals (MDGs). These goals are already the central organizing tool for most development agencies and multilateral development institutions around the world. The MDGs have the profound advantage not only of specifying explicit and quantitative targets, but also of automatically aligning U.S. efforts with those of partner countries, thereby massively leveraging American resources and expertise.

  The focus of the development challenge is in those regions still trapped in extreme poverty, or those places suffering extremely high burdens of hunger, disease, or lack of infrastructure. This means that U.S. efforts should be mainly directed towards sub-Saharan Africa, Central Asia, the Andean region, Haiti and the remaining pockets of extreme poverty in South Asia. Development aid for middle-income countries should be scaled back accordingly, since these regions can generally finance their own investment needs.

- Technologies. For each of the MDGs, there are a set of core interventions, based on proven low-cost technologies, which can spur rapid advances toward the MDGs. The UN Millennium Project among other studies has identified the powerful tools at our disposal in each of the key areas. While much can be said about each area, the following highlights can be noted.

- *Income poverty*: microfinance; electricity generation (off-grid and on-grid); all-weather roads; access to cell phones and the Internet; and improved population health.
- *Hunger*: improved food production through the extension of "Green Revolution" technologies (high-yield seeds, fertilizer, small-scale irrigation, agricultural extension services); micronutrient supplementation for Vitamin A, iodine, zinc, and iron; monitoring of low-weight children; and school feeding programs with take-home rations for pre-school-aged children.
- *Universal school completion*: construction of schools; training of teachers; wireless Internet connectivity for (solar-charged) computers at schools; separate hygienic facilities for girls and boys; and mid-day feeding programs.
- *Gender equality*: time-saving infrastructure for rural women (water, power, mills, and clinics, within reach of villages); micro-finance for women's groups; and improved inheritance and property rights.
- *Reduced maternal mortality*: emergency obstetrical theatres in all sub-district hospitals; training of assistant medical officers to perform emergency procedures; and use of wireless phone systems to create emergency-response units for ambulance services.
- *Reduced child mortality*: integrated management of childhood illnesses including diarrhea, malaria, acute lower respiratory infection (ALRI), vaccine-preventable diseases, parasitic infections (worms), and micronutrient deficiencies; expert systems for neonatal care; and increased use of community health workers supported by mobile phone and Internet connectivity.
- *Control of AIDS, TB, and Malaria*: packages of preventative and curative health services (e.g., access to medicines and universal protection by insecticide-treated bed nets in the case of malaria).
- *Universal access to family planning and contraceptive services*: logistics and supply chain management for contraceptive availability; community-worker outreach to ensure access to family planning service; and contraception on a voluntary basis.
- *Safe drinking water and sanitation*: application of modern hydrological tools to identify sustainable water sources based on seasonal and annual runoff; rainwater harvesting, sustainable use of groundwater, and improved year-round water storage; investments in sanitation systems including septic tanks and recycling of human and animal wastes in rural areas; and piped wastewater treatment in urban areas.

- Delivery Systems. Much is made of the difficulty of delivering technologies to the poor, with perceived high risks of corruption, mismanagement and other delivery failures. Yet such fears have been shown time and again to be misplaced as long as the aid is practical, subject to monitoring, adapted to local circumstances, endorsed by local communities, and embedded in a sensible delivery system with audits and evaluation. In recent years, enormous successes have been achieved in the mass distribution of anti-malaria bed nets, the mass scale-up of new vaccines, the mass treatment of children for worm infections, the mass increase in primary-school enrolments and completion rates by eliminating school fees, and the mass access of farmers to high-yield inputs through voucher systems. In all of these cases, success has resulted from transparency, specificity, accountability and auditing of delivery systems.

Thank you for this opportunity.

Smart Power: Rebalancing the Foreign Policy/National Security Toolkit

Testimony of

Dr. Gordon Adams

Professor of International Relations
School of International Service
American University
Washington, DC

And

Distinguished Fellow
Henry L. Stimson Center
Washington, DC

Before the

Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Colombia

of the

Senate Committee on Homeland Security and Governmental Affairs

Hearing on

"A Reliance on Smart Power – Reforming the Foreign Assistance Bureaucracy

31 July 2008

Thank you Mr. Chairman for inviting me to testify today. The hearing you are conducting on these issues is timely and important. We have a unique opportunity over the next year to rebuild the civilian instruments of American statecraft to fit the international challenges we face and your hearing will make an important contribution to that effort.

The nature of the foreign policy and national security challenges we face as a nation have changed substantially over the past twenty years. And our decades-old foreign policy and national security institutions are not properly structured to meet these challenges.

The Challenges
While much of our attention will be focused in the next year on Iraq and Afghanistan, the next Congress and the next administration face a number of critical, longer-term national security and foreign policy challenges: **Globalization and the international economy**: rising energy demand, rising prices, and declining supply; food prices and shortages; financial instability and a weak dollar; and persistent poverty in a stretch of countries from southern Africa to parts of Southeast Asia. **Problems of governance:** fragile, weak, failing, and brittle states, incapable of securing their borders, ensuring internal stability, supporting economic growth, providing social benefits. Political instability and civil conflict are the result; effective, efficient, and responsive governance is the goal. **Conflicts of identity:** persistent and inflamed conflicts of religion, ethnicity, and nationality. **Transnational challenges:** terrorist tactics and organizations, infectious diseases, environmental damage and global warming, international crime and narcotics trafficking, all of which escape the boundaries of the nation state and normal policy capabilities. **Rising powers and a changing international balance of power:** the growing global role of China and India and regional power changes in the Middle East (Iran), and Latin America (Brazil).

These challenges have two features in common: None of them can be addressed by one department or agency of the U.S. government alone; they all require action across the government through an integrated strategy. And none of them can be solved by the United States acting unilaterally; they will all demand American leadership in a multilateral context.

The Priority: Rebalance the Foreign Policy Toolkit by Strengthening Civilian Capacity
My testimony today will focus on the first feature: How do we ensure that our foreign policy toolkit is properly balanced, strategically integrated, and adequately funded to be effective in dealing with these challenges. The bottom line of my testimony is as follows:

1. Our foreign policy toolkit is out of balance; we have relied excessively on the military instrument of power, and neglected the critical capabilities of diplomacy and development/foreign assistance. The next Congress and the next administration need to address this imbalance as a high priority.

2. Despite a growing State Department budget over the past eight years, the diplomatic instrument (both core diplomacy and public diplomacy) is

inadequately staffed and funded to play a full part in our foreign and national security policy.

3. Despite roughly doubling our foreign assistance over the past eight years, our development and foreign assistance institutions suffer from a "diaspora." There are a large number of agencies and departments now involved in foreign assistance, including many that are primarily domestic agencies. Their efforts need to be better integrated and coordinated. They need a more strategic direction. They need more funding and staff. And they need a coordinated budget process to be effective.

4. There are some specific ways to act, and to act early, on these imbalances and weaknesses:[1]

    - Invest in additional staffing for State and reshape the career expectations, training, and career path of the Foreign Service to reorient that culture to fit with the challenges we face.

    - Invest in and rebuild USAID, through additional staff, and the integration of at least some of the "diaspora" of foreign assistance organizations into a stronger organization.

    - Strengthen the capacity of both State and USAID to engage in joint strategic and budgetary planning. Create a process for planning and budgeting across all foreign policy agencies, as well as across domestic federal agencies with international programs. Ensure that development and foreign assistance perspectives have a voice at the table in foreign policy and national security decision-making.

    - Restore the authority of the Secretary of State and USAID over U.S. foreign and security assistance programs, while retaining DOD strengths in implementing security assistance.

The State Department

Today our foreign policy tools are out of balance. Where once the nation relied on strong diplomacy and foreign assistance programs, the consequence of weakened civilian institutions, and the outcome of seven years of conflict in the Middle East and Central Asia is an excessive reliance on the military instrument of national power. No less an authority on this imbalance than Secretary of Defense Robert Gates has drawn our attention to this problem in his recent speech to the U.S. Global Leadership Campaign::

[1] These recommendations draw on a number of studies, but particularly Cindy Williams and Gordon Adams, *Strengthening Statecraft and Security: Reforming U.S. Planning and Resource Allocation*, Occasional Paper, Cambridge, MA: MIT Security Studies Program, June 2008; and the study underway at the Henry L. Stimson Center as part of the "Foreign Affairs Budget of the Future" project of the American Academy of Diplomacy. They are the responsibility of the author, alone.

> Overall, even outside Iraq and Afghanistan, the United States military has become more involved in a range of activities that in the past were perceived to be the exclusive province of civilian agencies and organizations. This has led to concern among many organizations – perhaps including many represented here tonight – about what's seen as a creeping "militarization" of some aspects of America's foreign policy. This is not an entirely unreasonable sentiment....[T]hat scenario can be avoided if...there is the right leadership, adequate funding of civilian agencies, effective coordination on the ground, and a clear understanding of the authorities, roles, and understandings of military versus civilian efforts, and how they fit, or in some cases don't fit, together.[2]

The place to start in rebuilding our civilian capacity is with the State Department. Despite significant growth in personnel and funding for America's diplomatic institutions over the past eight years, the State Department still remains below the level of staffing and funding it needs to conduct our nation's diplomacy.[3] Secretary Powell and Deputy Secretary Armitage deserve great credit for their success both in raising State Department funding, and in adding personnel to the Foreign Service. The additional personnel made up for the demands of opening new embassies in Eastern Europe and the former Soviet Union, which had drawn down staff largely from western Europe, the need to staff our rapidly growing presence in Iraq and Afghanistan in a time of conflict, and significant growth in the consular and diplomatic security sectors. But it did not expand our capability to deal with the new demands of the 21st century.

This leaves a substantial need to continue to expand the Foreign Service, particularly to fully staff overseas missions outside the two conflict areas and to deal with the new agenda of multilateral coalition and organizational growth, economic diplomacy, interagency programs and activities, and the expanding need to interact with non-governmental actors and businesses overseas. Through the study we at the Stimson Center are conducting for the American Academy of Diplomacy, we will be proposing substantial personnel additions to the State Department both for core diplomacy and for public diplomacy, potentially expanding that service by more than 30% over the next five years.[4] The growth we propose will be driven by requirements for adequate mission staffing and new missions.

Simply adding more foreign service officers to the rolls, however, will not be enough to strengthen the State Department tool. In the 21st Century, the State Department is clearly in the midst of an on-going, significant transition to new roles and expanded responsibilities, especially in the area of program development and management. The once dominant culture of "report, negotiate, and represent" that has been core to the

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[2] Speech of Secretary of Defense Robert Gates to the U.S. Global Leadership Campaign, Washington, DC, July 15, 2008

[3] State Department operations budgets, excluding contributions to UN organizations and peacekeeping, have risen 70% between FY 2000 and FY 2008, from $6.2 b. to $10.5 b. Much of this increase has gone toward increases for Diplomatic and Consular Programs, and Diplomatic Security.

[4] Combined with the staffing increases the Stimson/American Academy recommends for USAID and public diplomacy, overall staffing for these three areas of diplomacy would grow 40% over the next five years.

Foreign Service is being overtaken, as the time for a wider and more agile engagement arrives.

This means that a new breed of diplomat is beginning to appear and needs to be encouraged, a diplomat with new skills and new career expectations. The transition at State is already well under way through what can be called "mission creep," which is putting our diplomats in the business of doing more strategic planning, thinking about the long term, and designing and implementing programs.

The "foreign-assistance" portfolio now planned and budgeted at State reflects this emerging trend and has led to an expanded operating relationship between State and USAID. A significant part of the assistance for eastern Europe and the Russian periphery is planned and budgeted by the Office of the Special Coordinator for Assistance Programs in the Eurasia Bureau at State. It focuses on long-term governance, the creation of free markets, and the development of civil society. Economic Support Funds, once largely budget support to friendly governments, are now in part planned and budgeted jointly with USAID, which implements country programs with governance and economic development objectives. In fiscal years 2007 and 2008, as well as in the 2009 proposed budget, more than 80 percent of ESF was allocated to long-term investments in governance and economic development, including sizable monies for strategic countries such as Egypt, Pakistan, and Jordan.

Some bureaus and offices at State are now involved in strategy, planning, and implementation in such areas as HIV/AIDS (PEPFAR), counter-terrorism assistance (ATA and the Coordinator for counter-terrorism), counter-proliferation (the international security bureau), democracy support (the DHL Bureau), and peacekeeping training (PM and the GPOI program). These key challenges of the new century required new focus and new programs, at State, at USAID, and at other agencies.

This increasingly strategic, long-term, and programmatic activity at State demands a new Foreign Service professional and a new culture. And they demand closer coordination between State's programs and those of other assistance agencies. I will note below that I do not think we should set back this trend by separating development, foreign assistance, and overall program activity from State. Instead, we should be encouraging a coordinated, cooperative civilian capability that can meet our foreign policy and national security goals.

Internally, for the State Department, this means serious attention to human resources policy, much of which can be changed using existing authorities and regulations. It means recruiting potential diplomats who have broad technical, economic, and programmatic skills, as well as cultural and linguistic knowledge. It means recruiting some of them at mid-career levels, where they can bring those skills to the policy process right away. It means training them differently than we do today. Not only should new diplomats be trained at the outset in their careers; they should have career-long training. In addition to the current core curriculum for diplomats, this needs to include training through a diplomat's career, in strategic planning, technical subjects, budgeting,

economics, management, and especially program development, implementation, and evaluation.

It means rotating these managers of American foreign policy through assignments across the State Department's cones – political, economic, administrative, public diplomacy, and consular – and across the foreign policy community. Foreign Service officers should be incentivized and rewarded for holding a development/foreign assistance post in their careers. And they should be rewarded for taking cross-agency assignments outside the classic foreign policy arena – to Defense, to Treasury, to Commerce, Justice, or Homeland Security. These are big cultural changes coming to State, but they are vitally important if this element of the civilian toolkit is to play its appropriate role.

The same renewal is needed in public diplomacy. The absorption of USIA by State in October 1999 was probably inevitable, but it need not have led to lower priority and attention to America's "soft power." This is recognized today, including the endorsement of a semi-autonomous public diplomacy capability by Secretary of State Rice's Advisory Commission on Transformational Diplomacy. Autonomous or not, staffing needs to grow in the public diplomacy arena, and programs need to grow to match, particularly a stronger overseas public diplomacy presence, significantly increased exchanges, which have a major long-term positive impact on the U.S. image and our relations overseas, and a new generation of public diplomacy officers in touch with the digital and internet age.

Restructuring Foreign Assistance

Let me turn to the second major focus for reform, which is of concern to this subcommittee – the structure and role of foreign assistance. The two most striking features of our foreign assistance architecture are the **"diaspora"** of organizations involved and, until recently, the **absence of strategic planning and budgeting** for our foreign assistance programs. In the five years I spent as Associate Director for National Security and International Affairs at OMB, where I was responsible for budgeting and planning with respect to all of the national security organizations, I was struck by the fact that 90% of the resources for which I was responsible were spent by the Defense Department, but 90% of my time was spent integrating planning and budgeting and resolving internal controversies among the civilian foreign affairs agencies, much of it involving foreign assistance.

The "diaspora" of foreign assistance organizations has, if anything, gotten worse.[5] In the last five years we have created two new foreign assistance organizations – the Millennium Challenge Corporation and the President's Emergency Program for AIDS Relief. MCC now competes with USAID for funding, while the PEPFAR Coordinator is relatively autonomous from State and USAID, and is the fastest growing foreign

[5] As the CSIS Smart Power Commission put it: "Diplomacy and foreign assistance are often underfunded and underused [and] foreign policy institutions are fractured and compartmentalized." Center for Strategic and International Studies, Commission on Smart Power, *A Smarter, More Secure America*, Washington, DC: 2007, pp.8,9.

assistance account in the 150 budget.[6] There are more than 15 agencies and departments providing some kind of foreign assistance within the 150 account alone. Equally significant, there are at least 20 other federal departments whose budgets are not part of 150, but which are actively engaged overseas, most of them on our embassy platforms. There are at least six programs and budgetary "spigots" that support post-conflict stabilization and reconstruction programs; at least ten that promote governance and democracy; and four that provide humanitarian and disaster relief.

This diaspora alone is enough to weaken the strategic integrity of our foreign assistance and the impact it could have overseas. But it has also weakened the core foreign assistance institution – USAID – leading to sharp staffing reductions. Over the past thirty years, USAID's American workforce has shrunk from 4,300 to 2,200. At the same time, the resources for which it is responsible – both its own development funds and the programs it implements for the State Department - have more than doubled to $13.5 b. in FY 2007, according to the USAID Administrator. To cope with this disparity between capacity and responsibilities, USAID changed character. First, through the hiring of more than 1,200 personal services contractors it augmented its staff with non-direct hire employees. Second, it has become largely a contract management agency, with programs being implemented by a growing number of outside contractors.

It now suffers from a dramatic shortage of staff, especially staff with the technical capabilities needed to oversee a growing portfolio of programs and significant changes in its responsibilities in the new century. It must now work more closely with the Department of Defense and other U.S. agencies in carrying out assistance programs that directly support security interests in Iraq, Afghanistan and other areas. It needs the capacity to mobilize the U.S. private sector to assist in promoting development, especially in middle-income countries. It needs to be able to work with other donors to assure coordination and burden-sharing that will optimize use of limited development resources. And it needs to work more closely with government officials and other decision-makers in recipient countries to assist in guiding them toward effective development progress.

There is a crying staffing need at USAID, one that must be acted on in order to strengthen its capacity and ensure it can effectively plan and implement a development and foreign assistance program.[7] The study we are carrying out for the American Academy of Diplomacy will make the case for a requirements-driven expansion of USAID staff that

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[6] See Carol Lancaster, *George Bush's Foreign Aid: Transformation or Chaos?*, Washington, DC: Center for Global Development, for an excellent discussion of the consequences for overall foreign assistance of the PEPFAR program.

[7] It is important, however, to put this argument for more staff in the context of the new realities of development. U.S. bilateral development assistance, in fact, the development assistance of all of the advanced countries in the world, is rapidly becoming a secondary player in the flow of resources to the developing world. The Hudson Institute estimated that in 2003, U.S. official development assistance, as measured by the OECD, was $16.3 b., while assistance from private sector organizations (non-profits, religious organizations, foundations, universities) amounted to $22 b., remittances to more than $40 b., and private capital flows to over $50 b. Carol Adelman, Jeremiah Norris, and Jean Weicher, "America's Total Economic Engagement With the Developing World: Rethinking the Uses and Nature of Foreign Aid," Washington, DC: Hudson Institute, June 28, 2005.

could roughly double the size of its overseas direct-hire workforce over the next five years.

Merely adding staff at USAID, however, will not be adequate to strengthen our foreign assistance tools. The time is ripe to move quickly to address the diaspora of organizations, putting USAID, and the State Department, front and center in planning, budgeting, and coordinating the development and foreign assistance programs of the federal government. I strongly recommend that these organizational and management reforms happen quickly, within the framework of existing legislation. The goal should be to bring greater coherence to U.S. development and foreign assistance activities, to strengthen the organizations responsible for those activities, and to elevate development and foreign assistance as elements of American statecraft.[8]

Organizationally, that means making USAID the central actor in development and foreign assistance policy. If Congress is going to consider the reauthorization of the Millennium Challenge Corporation this year, it might want to consider merging that program into USAID, as a first step in consolidating our foreign assistance capabilities.

At the very least, as Congress examines the reauthorization of the Millennium Challenge Corporation and the PEPFAR program, it should consider bringing both of these programs into a larger foreign assistance agency - a reformed USAID.

The real challenge faces the next administration. The President needs to give high priority in the first six months to ensuring there is organizational coherence and strong leadership over foreign assistance programs. I strongly recommend that he instruct the Secretary of State to name an experienced and knowledgeable official to the authorized second Deputy Secretary of State position (which has never been filled). The Undersecretary for Management at State should report to the Secretary through this Deputy. The Office of the Director of Foreign Assistance would also report to this Deputy, and would be responsible for operating the budget planning process at State/USAID. This Deputy should be dual-hatted as USAID Administrator, and should be responsible for overall budgeting and management of State/USAID, and in charge of the coordination of budget planning for the foreign assistance agencies as a whole.

As a Deputy Secretary, s/he would be subject to Senate confirmation, accountable to the Congress, and clearly in charge of both management and budgeting at State/USAID. Forging a link between strategic planning, foreign assistance, and the management of foreign policy operations has been needed for decades and is essential if State and USAID are to be empowered to play a central role in our statecraft.

As Administrator of USAID, this official would be responsible for ensuring that foreign assistance programs and development have a high priority throughout the State Department. As Deputy, s/he would have a seat at the policy table at NSC; in any case, as a matter of principle, the USAID administrator should be a regular member of the NSC

[8] It will be important to tackle the basic foreign assistance legislation – the Foreign Assistance Act of 1961, as amended. A complete rewrite of that legislation, however, will take some time, while the institutional changes proposed here need to happen swiftly.

Principals Committee. This step alone would greatly enhance the voice of development and foreign assistance in the making of U.S. foreign policy.

Strategic Planning and Budgeting for Foreign Assistance
One of the most crucial elements in this proposed reform in the foreign assistance architecture is the need to build on the changes now underway with respect to strategic planning and budgeting at State/USAID. For decades, strategic planning and budgeting has been a core weakness of our diplomacy and foreign assistance programs. By contrast, strategic planning and budgeting has been a core strength of the Department of Defense.[9] Aligning this capability more closely between the two departments is an urgent necessity.

And it is important that this capability be developed in a coordinated way between State and USAID. If the U.S. is going to have a powerful, effective civilian foreign policy toolkit, a more integrated strategic planning and budgeting capability is urgently needed, one that meets the needs of development as a goal of U.S. international engagement, while it also connects our foreign assistance to our foreign policy and national security purposes. Our development and foreign assistance strategies and our relations with the developing world need to be better coordinated, not set off against each other. And development needs to have an important place, in a coordinated mechanism, as a key objective of U.S. statecraft.

I think it very important not to separate out "development" from "other foreign assistance." In the face of the challenges of the 21st century and given the evolution of U.S. foreign assistance institutions and programs that has already taken place, this is a false choice. For some, "development" seems to have a narrow focus, meaning programs that target "poverty reduction." over the "long term." But if an expanded definition of "development" means programs that focus on the long-term improvement of economic, social, and governmental conditions in recipient countries, a significant share of U.S. foreign-assistance programs already meet the test. Promoting "development" in this broad sense is clearly in our national interest and should be part of our national strategy and closely coordinated with our overall diplomatic objectives.

Nor is it a question of "long term" (development) versus "short term" (diplomacy). Both perspectives need to coexist with equal priority. Moreover, neither State nor USAID is exclusively focused on one or the other. The interlocked nature of our foreign assistance programs can be seen in the operations of State and USAID today. In FY 2007, for example, roughly 22% of U.S. foreign assistance could be said to have development (in a broad sense) as its primary goal. At the same time, 44% of U.S. foreign assistance could be said to have a foreign policy or strategic purpose, connected to U.S. foreign policy goals such as support for democracy in Eastern Europe and the former Soviet Union, counter-narcotics, counter-terrorism, peacekeeping training, foreign military training and

[9] For a discussion of the differences between the defense culture and the diplomatic/foreign assistance cultures in the U.S. see Gordon Adams, "The Politics of National Security Budgets," Policy Analysis Brief, The Stanley Foundation, February 2007

education.[10] In truth, both goals are part of our statecraft and the development goal ought to be considered an integral part of our overall foreign assistance investment.

Today, as I have noted, we already see "mission creep" inside State, where diplomats are increasingly planning, budgeting, and managing a growing portfolio of programs in the areas that pose the greatest challenge to our foreign policy and our national goals: counternarcotics (State programs began in the 1970s), anti-terrorism, democracy support, peacekeeping operations training, assistance to the periphery of Russia and eastern Europe. Many of these programs have both short and long-term dimensions, and are implemented both by State and USAID, and other U.S government agencies. Rather than make an artificial distinction between these programs and "development," it makes sense to recognize this reality, staff it properly, and coordinate its strategy and budgeting with the full range of assistance programs.

Nor is USAID an agency exclusively focused on the "long term" issue of development. In fact, USAID was born very much in the context of the Cold War, and the development objective was repeatedly justified as part of U.S. containment strategy vis-à-vis the Soviet Union. Today, a larger part of the USAID portfolio comes from non-USAID funding which it implements with both short and long-term objectives in mind, as part of broader U.S. foreign policy. And today, USAID finds itself deeply engaged in programs to strengthen governance, and contribute to post-conflict reconstruction and stabilization, a very "short-term" objective indeed.[11]

Rather than an abstract debate over a theoretical separation, I think it is important to recognize that U.S. foreign assistance programs fulfill multiple, important goals, and are on a timing continuum, some paying off in the short term and some in the longer term. Both are valuable; both need to be coordinated as part of a strategy. Having watched State and USAID struggle with the issue of strategic planning and budgeting for 15 years, I welcomed the creation of the Office of the Director of Foreign Assistance as an important first step toward such a capability. While flawed in execution, the work of this Office, discussed earlier today by Richard Greene, provides valuable knowledge and the beginnings of a process that should not be lightly discarded.

In its first round, it was very top down, inadequately incorporating the views and recommendations of embassies and field missions. It was not sufficiently transparent to the Congress or interested parties outside the government. The "framework" with which the F organization worked was more mechanical and less supple than it needed to be,

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[10] The remainder is the substantial commitment we have made to the Millennium Challenge Corporation and the President's Emergency Program for Debt Relief.

[11] In fact, arguably, given its potential capabilities and the growing involvement and experience of the USAID offices of Transition Initiatives, Foreign Disaster Assistance, Conflict Management and Mitigation, and Military Affairs, USAID is increasingly integrated into near-term policies and activities of the U.S. government. The Office of Military Affairs explicitly addresses "areas of common interests between defense and development, with a focus on improving civilian-military field readiness, programs and coordination. Program areas of common interest include, but may not be limited to humanitarian assistance, the global war on terrorism, strategic communications, conflict prevention and mitigation, counterinsurgency, post-conflict reconstruction and stabilization, and transformational development." USAID, *ADS Chapter 101, Agency Programs and Functions,* 10/17/2007 Revision, p.95

though it had the merit of laying out clear, discrete strategic objectives. It did not have adequate reach to the broader range of foreign assistance programs, especially at MCC, PEPFAR, and Treasury, nor into the broader range of foreign assistance provided through domestic agencies. And it did not succeed in meeting the goal of longer-term planning, badly needed in our foreign assistance and diplomatic agencies, though greater efforts in that direction are being made today.[12]

That said, the work of the Office of the Director of Foreign Assistance represents the first even semi-institutionalized effort I have ever seen at State/USAID to apply strategic planning to a substantial part of the U.S. foreign assistance portfolio. This is a worthy objective.[13] All of these weaknesses are fixable; none of them are fatal. Already in its second year there have been improvements in transparency, less rigidity in the framework, and substantially greater involvement of the field. Eliminating this office and its process and going backwards or artificially pulling foreign assistance programs apart would, in my view, be a mistake. It would waste valuable months, even years of time before an effective alternative emerged, if ever. The experience of the Department of Homeland Security should provide some caution here.

I would urge that this model be built on, as an integral part of the transformation of both State and USAID. It needs to make fewer data calls to embassies and missions overseas, and give greater attention to the input of country teams. It needs to focus more on the long-term than it has to date. It needs to continue to build more transparent relationships with the Congress, and the foreign assistance and development communities. And, I would recommend, it needs to give regional bureaus and offices at State and USAID a greater role in preparing budget proposals and vetting budget submissions from the country teams. State and USAID regional offices both need stronger strategic planning and budgeting capabilities than they have today.[14] And if they are not to be merged, they at least need tight coordination

In essence, rather than an elaborate reconstruction of U.S. foreign assistance organizations, I propose building on the trends amply underway in the structures, processes, staffing, and operations of both the State Department and USAID to create a better coordinated, more powerful civilian capacity than way we have today. A capacity that can more effectively balance the military capabilities and assume greater responsibility for tasks being carried out by the military in increasing amounts.

Coordinating the Activities of Other Federal Agencies

The planning and budgeting authorities of the Secretary of State should extend beyond the focus on programs of State and USAID to incorporate a focus on the entire portfolio

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[12] For an interesting discussion of these weaknesses, see Gerald F. Hyman, "Assessing Secretary of State Rice's Reform of U.S. Foreign Assistance," Carnegie Paper No.90, Carnegie Endowment for International Peace, February 2008.

[13] For an expansion of these views, see Gordon Adams, "Don't Reinvent the Foreign Assistance Wheel," *Foreign Service Journal*, March 2008, pp.46-50 and Gordon Adams, "Getting U.S. Foreign Assistance Right," *Bulletin of the Atomic Scientists*, May 2, 2008.

[14] The experience of INL and the EUR/ACE Bureaus at State, both of which have strong strategic planning and budgeting capabilities, is valuable in this regard.

of foreign assistance activities. In the case of those programs in Function 150, the State Department's strategic planning and budgeting process described above, should include regular hearings with the Secretary of State and the dual-hatted Deputy Secretary examining the proposed foreign assistance plans and budgets of all other Function 150 agencies.

Much greater attention also needs to be given to the broader diaspora of foreign assistance programs in domestic agencies, including Homeland Security, Justice/FBI, Health and Human Services/Centers for Disease Control, Labor, Education, the Environmental Protection Agency, and other departments and agencies. Given the sensitivities of having one Cabinet secretary coordinate planning for other departments, it may make sense to create a Senior Directorate for Foreign Assistance at the NSC, and a working group at NSC co-chaired by that Senior Director, OMB, and the Deputy Secretary of State/USAID Administrator. That working group could be the setting for a regular examination of foreign assistance programs across the government and greater coordination of strategic and program planning.

Restoring the Authorities of the Secretary of State

There is one other important issue I want to raise, as part of the effort to strengthen the civilian toolkit, and that is the growing involvement of the Department of Defense in the direct delivery of foreign and security assistance, under its own statutory authorities. Ironically, when the Department of Defense was created in 1948, one of the motivations was to ensure a strong role at the national security policy table for national defense, which tended to shrink away in peacetime, deferring to the powerful Department of State. One of the most striking trends during the past two decades, however, has been the growing role of the Defense Department in the diplomatic arena and as a provider of foreign and security assistance to friendly and allied nations.

While DOD and the military have traditionally been the implementers of such programs as Foreign Military Financing (FMF) and International Military Education and Training (IMET), policy-making for these programs, the selection of countries, and the funding for these programs has been done under the authority of the Secretary of State inside the State Department, in consultation with the Defense Department. By the end of the 1990s, however, DOD already managed a number of security assistance programs of its own, accounting for well over $1 billion annually.

Since the attacks on September 11, 2001, a larger assistance portfolio has emerged that is directly planned, budgeted, overseen, and implemented by the Defense Department, though many of these programs parallel existing authorities and programs at the Department of State. These new programs include:

- *Iraq and Afghanistan Train and Equip* – a major security force training and equipping program for these two countries, funded through DOD.
- *Section 1206* of the National Defense Authorization Act – a global train-and-equip program designed to build the capacity of foreign militaries.
- *Coalition Support Funds* – reimbursements to countries supporting U.S. efforts in Iraq and Afghanistan.

- *Defense Combating Terrorism Fellowship Program* – a counter-terrorism education and training program for foreign militaries and defense officials.
- *Commander's Emergency Response Program (CERP)* – funds used by military commanders in Iraq and Afghanistan for reconstruction and stabilization.
- *Train and equip the Pakistan Frontier Corps* – a Pakistani paramilitary force operating in the tribal areas along the border with Afghanistan.
- *Section 1207* (now Section 1210) – DOD authority to transfer up to $100 million annually to the State Department for stabilization and reconstruction activities.

Over the past seven budget years, more Congress has appropriated over $47 b. for these new security and foreign assistance programs, nearly $35 b. of that for the Iraqi and Afghani T&E program, alone (See Table). At the same time, State has been appropriated $41.4 b. for its traditional security assistance portfolio.[15] There is no doubt that DoD has been playing an increasingly significant role in the planning, funding and execution of our foreign assistance programs.

Table I

New DoD Security Cooperation and Foreign Assistance Programs			
Name	**FY 2002-FY 2009 DoD Total ($ in millions)***	**FY 2009 Pending Request ($ in millions)**	**Parallel Traditional SA Programs**
Train and Equip (T&E) Funds for Afghan and Iraqi Forces	$34,749	$2,666	FMF, IMET, PKO
Section 1206 Authority: Global Train and Equip	$500	$750	FMF, IMET, PKO
Commander's Emergency Response Program (CERP)	$4,940	$1,700	USAID-OTI/OFDA and State MRA
Coalition Support Funds (reimbursements to coalition partners)	$7,395	$700	ESF
Combating Terrorism Fellowship Program (CTFP)	$97.9	$35	IMET

* Data includes FY09 Bridge Fund Appropriation (H.R. 2642).

In addition, the DOD has received, or is seeking, expanded authority to some of its existing portfolio of assistance programs, such as the Combatant Commander's Initiative Fund and its humanitarian assistance program (OHDACA) to cover stabilization and reconstruction assistance. The DOD has argued that it needs these authorities because the State Department and USAID are inadequately funded, and the traditional programs are insufficiently flexible to respond to evolving security threats in this century.

This trend has major consequences, however. DOD's expanded policy responsibility for security assistance programs contributes to the atrophy of the civilian agencies' ability to plan and conduct foreign policy and foreign assistance and could lead to assistance decisions that conflict with broader U.S. strategic and foreign policy interests.[16]

[15] This total includes funding for Foreign Military Financing (FMF), the International Military Education and Training (IMET) program, and Peacekeeping Operations (PKO) accounts. In addition, State received $10.7 b. for counter-narcotics (INL and ACI) and anti-terrorism (ATA) funding over the same time period.
[16] A recent paper published by the National Defense University's Institute for National Strategic Studies concluded: "The systematic underfunding of State and USAID is the single greatest impediment to the

Moreover, these expanded missions are not at the core of military competence, stress the forces, and could detract from the readiness to perform missions that are more central to military capabilities. Many of DOD's assistance programs, particularly reconstruction assistance, risk creating capabilities in the recipient countries which are not sustainable, once forces are withdrawn. Finally, it is important for the U.S. to ensure that our non-military international presence and engagement is carried out primarily by civilians, not by the military.

I recommend rebalancing these authorities, as part of the effort to strengthen the civilian toolkit. The basic principles are:

First, the Secretary of State has and should continue to have the authority to ensure that security assistance is carried in the framework of overall U.S. foreign policy, including authority over the new programs created at DOD. That includes setting the overall policy, approving the countries which receive assistance and the budget numbers in the requests for such assistance. The Secretary of Defense and the Chairman of the Joint Chiefs of Staff have an important role in making recommendations to the Secretary of State on these issues and the Defense Department also has the critical responsibility of implementing these programs.

This means transferring authority and funding for train and equip (1206) and coalition support reimbursements to the Department of State, with DOD and the military continuing to act as implementer of the training program, as exists today with FMF and peacekeeping training. State would be responsible for policy direction, country choice, and budget levels. It means creating a stronger, well-funded capability at State/USAID to carry out reconstruction operations in areas where security is reasonably assured, based either on the S/CRS or the Office of Transition Assistance capabilities.

Second, in areas where US military forces are engaged in on-going, significant levels of combat operations the Secretary of Defense should have the authority and funding, for the duration of the period of combat, to fund combat-related stabilization and reconstruction assistance. DOD should also have the authority to engage in clearly-defined and purely short-term emergency reconstruction assistance, in consultation with the Country Team and the Secretary of State.

Third, Congress should not make Section 1206 or the CERP program permanent law, funded through defense. Where funding authorities are to be shifted to State, the current execution of these programs can continue to be carried out by DOD under the current temporary authorities. This will allow time to strengthen the capabilities of State and USAID to oversee, set policy, and budget for the security assistance programs and to build the capability for reconstruction assistance.

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effective planning and execution of developmental assistance, reconstruction, and stabilization. State cannot be equipped only with good ideas while Defense has all the money and most of the deployable assets. This is a prescription for an unbalanced national security policy, one in which State will not be a mature player or will have to savage its worldwide diplomacy to keep up with operations in conflict areas." Joseph J. Collins, "Choosing War: The Decision to Invade Iraq and Its Aftermath," Occasional Paper No.5, NDU/INSS, April 2008.

Conclusion

I have offered a broad range of proposals and suggestions for reform. They are not cast in stone, but it is vitally important that the Congress and the next administration be thinking now about how to transform the national security planning system and rebalance the toolkit of statecraft. No structures or policy processes are perfect, nor can they guarantee good leadership or 100% successful decisions. But our toolkit is increasingly out of balance today. The civilian institutions urgently need empowerment, reform, funding, and coordination. And the interagency process in place today does not serve the nation well. A strengthened civilian toolkit and a more institutionalized process will provide the next administration with the opportunity to carry out a more balanced and integrated approach to the broad agenda of security problems we face.

July 31, 2008

Senate Committee on Government Oversight and Department of Homeland Security
Subcommittee on Oversight of Government Management, the Federal Workforce,
and the District of Columbia

Hearing entitled:
A Reliance on Smart Power - Reforming the Foreign Assistance Bureaucracy

Remarks of:
Anne C. Richard
Vice President Government Relations & Advocacy
International Rescue Committee

Thank you for holding this hearing on Reforming the Foreign Assistance Bureaucracy. Your interest in this issue is well-timed. There is a consensus emerging that change is needed and the time is ripe for change. Many analysts agree that foreign aid is a useful tool in pursuit of US national interests overseas and that the United States needs to be more effective in running programs to help people of other countries. Moreover, there is a growing recognition that the United States needs to find a better balance between military and civilian tools of international engagement, and there is also a need for a longer-term strategic vision for US foreign aid programs.

This afternoon I would like to outline three major weak points in the foreign assistance bureaucracy – leadership, people, and coordination – and propose steps that could help address these weak points and strengthen the US foreign aid program.

My remarks are informed by my position as the Vice President of the International Rescue Committee, an internationally recognized relief and development agency operating in 42 countries to aid people and communities affected by war, civil conflict or oppression. In the United States, the IRC's national resettlement network annually helps thousands of newly arrived refugees rebuild their lives in this country. My past experiences as a senior official at the State Department and Peace Corps headquarters, and an earlier stint as an examiner at the US Office of Management & Budget have also influenced my thinking. I also should mention that I am the co-author of a forthcoming paper from the Stanley Foundation and Center for New American Security that describes how the next Administration might improve US foreign operations. I wrote this with Paul Clayman, a former State Department colleague who served as Counsel (and, later, minority counsel) for Senator Lugar and the Senate Foreign Relations Committee. Some of the ideas I will discuss in my testimony are developed in this paper, a draft of which has been shared with subcommittee staff.

1) STRONGER DEVELOPMENT MANAGEMENT, DEVELOPMENT POLICY, DEVELOPMENT LEADERSHIP

There is a need for stronger leadership of development assistance, which is a key part of overall US foreign assistance. Within the community of think tanks and aid agencies that care about development, a movement has been building that supports a strengthened USAID.

The Bush Administration increased overall foreign aid but opted out of using USAID for major new initiatives and instead developed "work arounds" – creating the Millennium Challenge Corporation as a

separate new Federal agency and funneling HIV/AIDS funding through an AIDS Czar located in the State Department. A logical move would be to fold these initiatives into USAID and thus bring most of the major aid projects under one roof and, ideally, reporting to one strong leader within the Administration.

The Administrator of USAID is an important job that needs to be filled by someone who can speak with authority. The Administrator has to be at the conference tables in the White House when discussions about US engagement in foreign countries are taking place. This person should have sufficient stature that colleagues within the Administration actively seek his or her advice and involvement in relevant issues. In international meetings and summits, the AID administrator should be empowered to meet with development ministers from other governments as a peer. Put simply, the Administrator must be the point person for relief and development in the Administration.

Post-conflict transition to development – also called reconstruction & stabilization – is very much on the minds of many organizations working in the field in places that are trying to recover from war and conflict, whether these organizations are aid agencies like the International Rescue Committee, private contractors hired by the US government, UN agencies or American or foreign military troops. Many in the Bush Administration are focused on Iraq and Afghanistan, but my organization also has experience with this transition in places as diverse as Liberia, the Democratic Republic of Congo, and Nepal.

The State Department recognized that a gap existed in how the US tries to prevent crises and then respond to them. The Department created an office of the Coordinator for Reconstruction and Stabilization (S/CRS) that has sought to coordinate across civilian agencies. The Core Mission of S/CRS is to lead, coordinate and institutionalize U.S. Government civilian capacity to prevent or prepare for post-conflict situations, and to help stabilize and reconstruct societies in transition from conflict or civil strife, so they can reach a sustainable path toward peace, democracy and a market economy. This new office has suffered from a lack of resources and support. It has had to rely on borrowed personnel and it ended up dependent on Defense Department funding under special authorities in the Defense Authorization Act. This is a prime example of the resource imbalance between the Defense Budget and the International Affairs Budget.

At the same time as today's hearing, the Senate Foreign Relations Committee is holding a hearing on the militarization of foreign aid and the President of the IRC, George Rupp, is testifying. In his testimony, he sketches out the appropriate role of the US military in humanitarian assistance, but also argues that civilian humanitarian agencies are positioned to respond more effectively and efficiently than the military where we are present, operational, and knowledgeable about the populations in distress. Even Secretary of Defense Gates recently acknowledged the resource imbalance and calls for proper funding of civilian agencies. He noted that military operations should sometimes be subordinate to "measures to promote participation in government, economic programs to spur development, and efforts to address the grievances that often lie at the heart of insurgencies...."

The experience of the International Rescue Committee has been that civilian aid experts can work very effectively with local communities. We can deploy skilled colleagues – often citizens of the countries in which we work – who understand local cultures and customs, speak local languages, and need less security than an American would. We are particularly proud of programs like the National Solidarity Program in Afghanistan that help organize communities to decide for themselves how to invest small amounts of aid monies in order to have a big impact on life in their villages. Some communities opt for small infrastructure projects like bridges to help get crops to market. Others seek tailoring classes to give jobs to widows. Some communities build schools. This kind of cost-effective program also builds

decision-makers and leaders at the same time. It has the potential to have a long-term impact on building active, strong and stable communities in countries recovering from war, and thus contributes to US national security. I am happy to report that members of the House Armed Services Committee have invited aid agencies like the IRC to brief them – both in Washington and on visits overseas – to learn more about these types of programs and the constructive roles civilians can undertake.

All of these various trends seemed to have boiled down lately to a disagreement among experts about the best place to lead US development aid efforts. Some would say leadership should be at the top of the State Department, or with a new cabinet-level development department (as Interaction and some others suggest), or through a coordinator based in or around the White House.

Paul Clayman and I developed what we call the "hybrid model", which we think combines the best of all these ideas: a new directorate for foreign operations at the NSC with staff who are knowledgeable and available to obtain input from key actors and help resolve disputes as they arise; a State Department that can coordinate and influence the overall direction of the full range of aid programs (which is more than just development aid) to address the President's foreign policy needs; and a strong development agency – a revamped and empowered USAID – that includes all or most major development programs. Importantly, the hybrid model could be readily implemented within a short period of time by a new Administration.

A new NSC directorate would provide significantly greater visibility, accountability and coordination for the President with respect to foreign assistance. It would seek to ensure that all foreign assistance programs (across the entire US government) and the operations of the international affairs agencies were represented in White House deliberations. This directorate would heighten the profile of the work of these agencies, help make their views known at the White House and play a key role in reconciling major disagreements.

The NSC director for foreign operations would have the following to-do list:

- Working closely with the Office of Management and Budget, help to examine and identify steps to fix the resource imbalance between the defense and international affairs budgets.
- Conduct a review to determine what authorities are needed to fold significant development programs like MCC and PEPFAR into USAID. Develop recommendations about which State Department foreign assistance programs to place within USAID's area of responsibility, and whether to expand its role in a number of global areas, including relief, disease prevention and democracy promotion.
- Examine the balance between multilateral aid mechanisms as well as bilateral assistance.
- Examine ways in which the Administration could help launch a serious campaign to expand the Peace Corps.

The State Department would continue to play an important role, through the F bureau, in coordinating aid across various organizations. The next Secretary of State will want to fully use and expand the capabilities of this office in order to get a sense of how all the pieces of foreign aid – relief, development, economic and political support, counter-narcotics, military assistance and programs to track loose nukes, dig up landmines and combat environmental threats – fit together. State's regional bureaus also could play a much stronger role in ensuring that aid programs are structured and then justified to Congress in a way that makes sense. In fact, I would appoint senior assistance coordinators for each region of the world, modeled on the post-Cold War aid programs for Central and Eastern

Europe and the former Soviet Union. These officials could come from the ranks of USAID staff to ensure they understand how aid programs are designed, managed and implemented.

As mentioned before, USAID needs to be empowered to really lead the US government on relief and development. But it should not do this in isolation. USAID will have to cooperate in a constructive way with other agencies. It will need to share information about its plans and budgets in a timely way for review by the NSC directorate and the State Department, and build a reputation for excellence in Washington – not just in the field. It should also cooperate closely with other major donor governments.

In addition, we propose that senior officials who play roles in guiding or operating US foreign assistance programs– such as the Secretaries of State and Treasury and the Administrator of USAID – meet from time to time as a board to examine US aid programs and trends. This idea is based on the board meetings of the Millennium Challenge Corporation. Regular meetings would help inform senior Administration officials about the overall foreign aid picture and they could then speak up in support of these programs.

2) NEED FOR MORE PEOPLE/TRAINING/SKILLS

There is a need for more people, in both State and USAID, to carry out the important work of these agencies.

The Bush Administration has twice sought increases in staffing for these Departments. At the beginning of his tenure, Secretary Powell was successful in securing approval to hire more Foreign Service officers. Unfortunately, much of this increase has ended up staffing the big increases in personnel deployed to the Embassy in Baghdad. In the FY 2009 budget, Secretary Rice has sought an increase of roughly 1,100 in the Foreign Service at State and 300 in USAID.

Speaking as someone who has been lobbying for more support for the international affairs agencies since 1990, I hope you will support these more recent proposals for critically needed personnel to carry out U.S. foreign policy. And I am in good company: three dozen foreign affairs experts and 52 former Generals and Admirals have endorsed the Impact '08 platform of the Center for US Global Engagement that recommends more diplomats and development experts. The American Academy of Diplomacy's study on "Foreign Affairs Budget of the Future" that Gordon Adams spearheads at the Henry L. Stimson Center will also prescribe remedies to the personnel gap.

But it will be important for the Department and USAID to explain the impact new personnel will have; how they will make a difference; and what tasks they will undertake.

Not just more people are needed, but more training, too. The international affairs agencies need trained and skilled personnel to match modern demands – this includes the ability to speak hard languages, appreciation for the use of technology, and a good understanding of program management. In terms of skills, there is a clear need for personnel who can respond rapidly to crises and can play useful roles in post-conflict situations. This necessarily means that the traditional skills sought to staff the Foreign Service must be expanded to include individuals with "hands-on" experience at implementing programs. Finally, both State and USAID need contingency funds to head off and respond to crises. I know proposals for contingency funds almost never survive the budget process. But I would

propose modeling a disaster contingency fund on the highly successful Emergency Refugee and Migration Account that the State Department successfully manages for refugee crises.

Secretary Rice is creating reserve capabilities – but we must be vigilant in ensuring that these individuals have the right skills or receive the necessary training. USAID is looking at ways to use regional hubs to ensure that new staff is partnered with more experienced staff so that they are mentored, rather than dropped into a far-flung location without much support.

My recommendation, therefore, is that this subcommittee speaks out in support of greater investment in the international affairs budget and the personnel of these agencies, but that you also seek good answers to the questions of what the new hires will be doing and how the workforce will be used to tackle global threats and the full range of demands. And that you work with colleagues who appropriate funds to these departments to see to it that new hires are given or have the training and tools they need to thrive in the challenging places they will work.

3) COMPLEXITY REQUIRES COORDINATION

The subcommittee had asked for an assessment of the effectiveness of the "F" bureau. While recognizing that the creation of the F bureau created tensions in the foreign assistance community—in the executive branch, with Congress and with the non-profit and private sector—there is nonetheless a need for a strong central coordinating mechanism to ensure that the President's foreign policy objectives are supported and achieved. Joint planning, consultations on agency budgets, and efforts to pull data on foreign aid together into a single, useful and accountable system are needed and should continue.

Many of those who criticize the current way the US government organizes foreign aid complain about the large number of agencies that run aid programs and the long list of budget accounts that fund aid. Some government officials and outside analysts see the large number of objectives as well as the long list of international affairs budget accounts as evidence of confusion and poor coordination. A fresh approach would probably consolidate this large number of government actors into a smaller number of decision-makers that work more closely together.

But there will always be multiple actors because of the complexity of US interests overseas. A coherent strategy does not necessarily mean that US national security priorities, goals and objectives can be easily described or condensed into a simple catchphrase. US national interests are broad and varied; the United States has relations with, and Americans have interests in, nearly every country on the globe. US government engagement with the rest of the world should be expected to be multi-faceted and complex. It is very important to have priorities, and a new Administration must establish these, but narrowing the list to too few objectives may result in neglect of key foreign policy objectives that serve the national interest and are important to American society.

What is true is that the many US foreign aid actors, organizations and budget accounts make the entire enterprise –goals, strategies, budgets and staffing patterns – harder to explain to senior officials, the media and the public and to justify to you, the Congress. Government leaders should do a better job communicating the importance of this work.

<u>There is a need to coordinate across various US government agencies in order to align US foreign aid programs with foreign policy goals, avoid duplication and ensure a smart approach</u>. The NSC, State

Department and USAID all have roles to play in reinforcing coordination. The paper Paul Clayman and I wrote on the "hybrid model" also proposes ways to do this – creating a NSC directorate for foreign operations, salvaging the useful parts of the F process, and having senior leaders meet regularly as a board to discuss foreign aid and then champion it with the Congress and the public.

CONCLUSION

A consensus like the present one is rare. While a broad consensus exists among key actors, this consensus is also shallow and thus will be hard to maintain once concrete changes are proposed and decisions are made and implemented. Nonetheless, it would be a shame to squander this best chance in quite some time to reinvigorate, modernize and improve the US foreign assistance bureaucracy. This is why I am very pleased that this subcommittee has chosen to examine these issues and is holding this hearing today. Thank you very much for your interest and thank you in advance for your questions.

END

Testimony of

Samuel A. Worthington
President & CEO, InterAction

B fore the Senate Homeland Security and Governmental Affairs Subcommittee on Oversight of Government Management

On:
A Reliance on Smart Power - Reforming the Foreign Assistance Bureaucracy

July 31, 2008

Introduction

Chairman Akaka, Ranking Member Voinovich, and other members of the subcommittee, I welcome the opportunity to testify today on a topic of major interest to U.S.-based nonprofit nongovernmental organizations (NGOs). I also want to thank you and the members of the subcommittee for your interest in the U.S. foreign assistance bureaucracy and in possible ways to make it more effective.

InterAction is the largest coalition of U.S.-based international relief and development nongovernmental organizations. With more than 165 members operating in every developing country in the world, we work to overcome poverty, exclusion and suffering by advancing basic dignity for all. Our members include service delivery and advocacy organizations, focusing on health, hunger, economic development, the environment, refugee crises, and humanitarian emergencies.

In addition to my role as President and CEO of InterAction, I am also a member of the Modernizing Foreign Assistance Network (MFAN), a bipartisan group of experts from think tanks, universities, and NGOs who have come to a consensus on several key recommendations for improving and elevating our country's foreign assistance programs. I will go into more detail on those recommendations later in my testimony, but right now I want to focus my comments on four key areas: the mission of U.S. foreign assistance; the U.S. Government's capacity to be an effective partner in development; protecting the "humanitarian and development space," within which InterAction's member organizations work; and the need to elevate international development as a component of U.S. foreign policy – namely by creating a Cabinet-level Department for Global and Human Development.

The Mission of U.S. Foreign Assistance

Foreign assistance plays a critical role in advancing U.S. national interests overseas. It represents our humanitarian values, and puts the best face of America forward to the world. By demonstrating our commitment to these values, we advance our own economic and national security interests. By promoting economic growth in the developing world, we help people thrive and open new doors to partnership with American businesses and consumers. By restoring respect for the United States as a force for positive change in the world, working to prevent and resolve conflicts, investing in democratic institutions and civil society, promoting community development, and responding to humanitarian emergencies, we create a safer and more stable world, which is clearly in our national interest.

At the heart of America's broader foreign assistance portfolio lies poverty-focused development assistance, which is America's most important tool for reaching the poorest and most vulnerable people in the world. **InterAction believes that the chief goal of U.S. development assistance should be to reduce poverty and help countries and people achieve their full potential, which reflects the American values of humanitarianism and equal opportunity for all.** This effort extends beyond the much-needed task of addressing the basic needs of the poor, such as access to food, water and sanitation, and health care. It involves protecting the most vulnerable from shocks, cycles, and trends that threaten their survival, equipping the poor with the capacity and tools to advocate on their own behalf, enabling them to be stakeholders in the systems and structures that govern their access to resources, and improving their ability to participate in their own livelihoods. These steps are critical to helping the poor to lift themselves out of poverty.

Poverty reduction and sustainable development must be cornerstones of U.S. foreign assistance, and therefore top priorities of U.S. foreign policy on the whole. The problem today is that too few development dollars are spread over too many federal agencies, leading to a watered down and incoherent jumble of programs. U.S. foreign assistance is fragmented across twenty-six departments and agencies in our government, and our aid programs are often poorly coordinated at best or, at worst, working at cross purposes.[1] This fragmentation has been exacerbated by recent initiatives like PEPFAR and the Millennium Challenge Corporation (MCC) that were designed to work around, rather than with, existing development capabilities at the U.S. Agency for International Development (USAID), the lead U.S. development agency.

The State Department's recent efforts to unify all its foreign assistance programs with USAID's under a single strategic framework (the "F process") was an attempt to decrease fragmentation, but the fact that it didn't include either PEPFAR or MCC hampered its success from the start. In fact, the Congressional Research Service reports that the Office of the Director of Foreign Assistance (the F Bureau), the bureau in the State Department that managed the "F process" and serves as the coordinating body for all State and USAID assistance, only manages about 55% of the U.S. foreign assistance budget.[2] Therefore, there is no single overarching framework that articulates

the mission and objectives for the entire set of U.S. foreign assistance programs, much less one that puts long-term development at its center – where it belongs.

This lack of coherence leads to confusion and inefficiency here in Washington and in the field. Host governments and indigenous civil society in the developing world are unable to relate their priorities to so many points of contact at U.S. embassies, and the result is that development programs are not responsive to the needs of the very people they are intended to serve. El Salvador, for instance, has at least eleven agencies delivering foreign assistance and, as our member organization Oxfam America found in its research in that country, U.S. government development staff find that "'It's difficult to keep everyone happy,' when each agency focuses on the challenges of development through a different lens."[3] Unfortunately, El Salvador is not an isolated case, and this same lamentation can be heard echoing throughout the developing world.

For this reason, InterAction and its members, as well as the experts that comprise the Modernizing Foreign Assistance Network, believe that the United States should adopt a National Development Strategy, similar to the high-level strategic documents produced by the Department of Defense (DOD) or the National Security Council (NSC), which should be implemented by a Cabinet-level Department for Global and Human Development.

In his recent paper, "Modernizing Foreign Assistance for the 21st Century: An Agenda for the Next U.S. President," Steve Radelet argues that such a development strategy should "lay out broad guidelines for assistance programs in different kinds of recipient countries; failed, failing, and fragile states; and middle-income countries with much less need for development assistance. It should describe how foreign assistance programs will be coordinated and integrated with other policy tools for working with low-income countries (e.g., trade, immigration, investment, etc.), and should summarize the budgetary requirements necessary to achieve those goals. It should lay out how our bilateral assistance programs can work with important multilateral initiatives at the World Bank, African Development Bank, Global Fund, and other key multilateral organizations. Developing this strategy should not be a one-time process: each administration should be expected to renew and revise the strategy as a Quadrennial Global Development Review, much like DOD's Quadrennial Defense Review Report."[4]

Furthermore, the National Development Strategy must clearly articulate the mission of development assistance outlined above – to reduce poverty and help countries and people achieve their full potential, which reflects the American values of humanitarianism and equal opportunity for all. It should also adhere to InterAction's principles for effective foreign assistance reform, which include:

- Poverty reduction must be a primary objective of U.S. foreign assistance;
- Achieving the long-term objectives of global prosperity and freedom depends upon sustainable development as a long-term process, which should not be sidetracked for any short-term political agenda;

- Cohesion and coherence, in place of current fragmentation, are necessary to achieve the effective use of foreign assistance resources;
- Building local capacity promotes country ownership and leads to self-sufficiency;
- Humanitarian assistance programs should continue to be a core part of foreign aid and be guided by the principle of impartiality;
- U.S. foreign assistance programs should be under civilian control and run by development professionals.

Finally, and just as importantly, the National Development Strategy must recognize the role of women in reducing poverty and expanding economic growth. It should commit the United States to advancing women's empowerment and gender equality, especially in the area of basic education.[5] This is not only because women comprise half of the population and the majority of the world's poor, but also because more than 40 years of international development experience have shown that investments in women lead to substantially higher payoffs for reducing poverty and growing economies. For example, the World Bank has found that during India's economic transformation over the last 15 years, states with the highest percentage of women in the labor force grew the fastest and had the largest reductions in poverty.[6]

The U.S. Government's Capacity to be an Effective Partner in Development

Because of the fragmentation described above, and because of staffing and funding constraints at USAID, the capacity of the U.S. Government to be a good partner with civil society in development has declined considerably from where it was twenty years ago. It was not that long ago that the U.S. NGO community received about 50% of its funding from grants and cooperative agreements with the U.S. Government. Now, InterAction members receive more than $6 billion annually in the form of private donations from the American public, twice as much as they receive from the U.S. Government. This shift in resource flows has occurred at the same time as a significant decline in staffing levels at USAID.[7] The decline in staff, in turn, means that the agency has less capacity to effectively manage small and medium-sized grants and has been forced turn to larger and larger "umbrella contracts" or Indefinite Quantity Contracts (IQCs) as foreign assistance implementing mechanisms. As USAID Deputy Administrator Jim Kunder noted at an Advisory Council on Voluntary Foreign Assistance (ACVFA) meeting last year, "Federal guidelines indicate that the average [U.S. Government] contracting officer should manage around $10 million in contracts per year; in USAID each contracting officer oversees an average of $57 million in contracts. At some point, the system's management and oversight capabilities are simply overstressed."[8]

What we are left with is a situation in which the NGO community is looking to work in partnership with USAID, while USAID is looking for organizations to exert control over through the use of rigid contracting mechanisms. The result is that our government is becoming less and less relevant to the community of nongovernmental organizations that actually implement development programs overseas. Furthermore, USAID's operating expense and human capital constraints compromise its ability to coordinate

effectively with other bilateral and multilateral donors, as well as its capacity to do meaningful monitoring and evaluation work. Shortcomings in these areas mean that United States is not leveraging its development spending as effectively as it could, nor is it effectively capturing lessons learned about what works and what does not.

Moreover, USAID's recent efforts to impose a sweeping new terrorist screening program on grantees further strains its relationship with the development community. The so-called "partner vetting system" (PVS) was developed with little consultation with NGOs or appreciation for the impact on implementing partners around the world. Under the proposed PVS system, grantees would be put in the untenable position of collecting and sharing the personal privacy information of thousands of implementing partners with USAID, and potentially, U.S. intelligence agencies. The system inexplicably does not apply to contractors or to State or Defense Department implementing partners, nor does it take into account actual threat levels in particular countries, that it will likely place the lives of American humanitarian workers in jeopardy, and that the collection of such information may actually undercut U.S. foreign policy objectives. The system also fails to account for the fact that grantees are already required to conduct rigorous screening of grant recipients. Rushing ahead with such a system will only serve to undermine an already fragile and frayed relationship with the development community, and puts further strain on USAID's management and oversight functions, while not ultimately serving our shared interests in seeing that U.S. taxpayer dollars are well protected from diversion to terrorist organizations. To its credit, USAID has begun to reach out to the community of implementing partners to find an agreeable way forward, and that dialogue should be supported and continued.

Given that USAID is our government's lead development agency, and that the fragmentation of our foreign assistance over the last two administrations is due to a lack of confidence in the agency by both Congress and the executive branch, it seems that the logical place to start re-capacitating our government's development capability is by reinvigorating and empowering USAID. I commend current USAID Administrator and Director of Foreign Assistance Henrietta Fore, and Deputy Director Rich Greene, for their leadership in addressing many of these concerns. Their commitment to increasing funding for training, along with the new Development Leadership Initiative (DLI), for instance, will rectify some of the human capital problems that have plagued the agency over the last fifteen years.

I have several concrete recommendations that I believe will improve the effectiveness of USAID, which accounts for a significant share of the U.S. foreign assistance bureaucracy. Many of these proposals could also be applied when designing a Cabinet-level development agency:

- Eliminate the operating expense (OE) line item from USAID's budget. The OE line item puts an unnecessary bull's eye on USAID's administrative costs that other government agencies are not subjected to. Furthermore, the bipartisan HELP Commission found that Congress has allowed, if not encouraged, USAID

to use program funds to support administrative costs, undermining the original intent of the OE account and eroding its usefulness.[9]

- Change the definition of OE (if the account cannot be eliminated entirely) so that Foreign Service Officers who are serving in USAID missions overseas are counted against the agency's program costs and not its OE budget.
- Boost training funds for agency staff and Foreign Service Officers, which would create consistent doctrines and approaches to development (to be guided by the National Development Strategy). Administrator Fore deserves credit for taking significant steps in the right direction in this regard.
- Expand language training to include languages beyond the typical Spanish, French, and Russian, for up to 44 weeks of instruction. Unfortunately, current staffing constraints mean that even if such language training programs were in place, the agency probably could not afford to keep its Foreign Service Officers in Washington, DC for 44 weeks at a time. Achieving this recommendation will require increases in both financial and human capital.
- Prioritize monitoring and evaluation so that we can know what works and what does not. The U.S. Government should fund evaluation costs for NGO-implemented development programs, which are too often the first thing to be stripped from project budgets in order to reduce total costs. In addition to mid-term and final evaluations, impact assessments should be conducted a few years after programs have been completed so that we can measure their sustainability. Furthermore, assessments should systematically disaggregate data by sex in order to assess whether programs are benefiting women as well as men. Again, Administrator Fore deserves credit for reinvigorating USAID's monitoring and evaluation capabilities.
- Improve the agency's willingness and capacity to listen to the people whose lives it hopes to improve through a particular intervention, especially during the needs assessment and project design phases. This should include doing gender analyses, which look at the different roles, rights, responsibilities and resources of women and men and how they impact a proposed policy, strategy, or project. When the Foreign Assistance Act is rewritten and reauthorized next year, as House Committee on Foreign Affairs Chairman Berman has committed to doing, Congress should prioritize "listening" when it is drafting language related to local consultation. The MCC provides a useful model, but does not go far enough in defining the extent to which the agency must consult with aid recipients.
- Urge USAID to withdraw the current PVS screening program and allow the agency the time and space to work with the development community in improving and strengthening vetting systems to protect U.S. tax dollars, without undermining critical U.S. foreign policy and development objectives around the world.
- Ensure that USAID staff understand the distinctions between Acquisitions (contracts) and Assistance (grants and cooperative agreements), and adhere to federal guidelines regarding how the funding mechanisms should be applied. Unfortunately, due to factors including the staffing shortages described above, the U.S. Government has demonstrably moved in a direction that would suggest it prefers contracts rather than grants for implementing foreign aid. This is

problematic for the nonprofit NGO community, which is better suited to the latter type of funding instrument, usually characterized by a "people-to-people" transfer of skills and assistance from NGOs to local groups. While there are certainly instances where the contract instrument is appropriate, we believe that all too often contracts are now being chosen by USAID as a way to assert rigid and counterproductive control over development programs.

- Develop high-level leadership on gender by increasing the number of gender experts in the agency's regional and functional bureaus.
- Ensure that USAID is able to attract and retain quality personnel, and that Foreign Service Officers receive pay that is equitable with what they would receive for a similar job in the private sector, or even at a similar post in Washington, DC. Foreign Service Officers at USAID and the State Department serve our country, often at great personal sacrifice, in some of the most dangerous corners of the world, and their contributions to U.S. national security and global stability are to be commended.
- Shift what remains of the Bureau for Policy and Program Coordination (PPC) from the Office of the Director of Foreign Assistance back to USAID, and re-capacitate the bureau, which performed critical policy, planning, and priority setting functions for the agency prior to the onset of the "F process."

Overall, the U.S. Government generally – and USAID specifically – must take steps to rebuild its capacity to partner with the community of U.S.-based international relief and development NGOs. Channeling foreign assistance through NGOs, both international and local, is one way to ensure that aid ultimately benefits those most in need. NGOs play a critical role in partnering with local communities, ensuring that programs reach the poor and effectively address the unique needs of those they are intended to benefit. NGOs also play a significant role in reaching marginalized groups, including women and girls, and involving them in decision-making. Furthermore, the long-term relationships that NGOs build with communities that receive foreign assistance are unparalleled. Because of their private funding, NGOs can keep operating in a country even when they no longer receive U.S. government funding. For this reason, InterAction has members who have been operational in places for decades before *and after* the U.S. Government has come and gone in some developing countries. USAID, and the Cabinet-level Department for Global and Human Development that will hopefully succeed it, must take advantage of these strong relationships at the community level that NGOs have built over many years of humanitarian and development experience.

Maintaining the Boundaries of Humanitarian and Development Space

Improving human development in the far corners of the world is a complex task, and not one that should be controlled or undertaken by the Departments of State or Defense. People in the military are trained to be warriors, those in the State Department to be diplomats, and the men and women at USAID, MCC, and similar agencies are trained to do development. These are three very different skill-sets, and the three agencies have very different cultures.

In their book "Organizing Foreign Aid: Confronting the Challenges of the Twenty-first Century," Carol Lancaster and Ann Van Dusen discuss the distinction between aid allocated for diplomatic reasons and aid allocated to achieve development goals. They rightly point out that "development work is quite distinct from the core activity of the [D]epartment [of State]," since "[d]evelopment implies a long-term engagement in bringing about social change in other countries, requiring a set of skills and a consistency over time that can prove a poor fit with the skills and more short-term time horizon and modus operandi associated with traditional diplomacy."[10] This is an important distinction, and one that we should remember when people suggest merging USAID into the State Department. As we noted in the Modernizing Foreign Assistance Network's "New Day, New Way" proposal, giving too much control of development programs to the State Department "subordinate[s] development to diplomacy, risk[s] allocating larger amounts of funding to meet short-term political and diplomatic objectives at the expense of longer-term development objectives, and place[s] responsibility for development policy in a department with only limited expertise in development."[11]

The "F process" was a failed attempt by the State Department to exercise undue influence in the development space. While some of its goals were admirable – attempting to clarify the objectives of U.S. foreign assistance and improve tracking and reporting of results, to name a couple – its implementation was a nightmare for the NGO community and for USAID missions overseas. It focused on "country-based" planning without adequately consulting with recipient governments or USAID missions in the field; relied on a top-down, hyper-centralized planning model; excluded the input of key stakeholders, including Congress, the NGOs that actually implement foreign assistance programs, and its own staff; instituted a new set of indicators that measure outputs rather than outcomes; and lacked real authority over foreign assistance funding streams that are not controlled by the State Department, like MCC and PEPFAR. Furthermore, it conflated development assistance and political assistance (Economic Support Funds) in the FY 2008 budget request.[12]

Gordon Adams, who sits on the panel with me today, proposes that the next President ought to fix the flaws in the "F process" but keep it largely intact. While I agree with Mr. Adams' concern that the Department of Defense's role in delivering foreign assistance not be increased, I respectfully disagree with him with regard to the F Bureau. He describes as "real progress" the fact that State and USAID had a common set of goals and objectives under the "F process", and commends the common performance framework that was established to measure results.[13] The problem though, is that the common set of goals and objectives failed to truly prioritize poverty reduction, and thus were the wrong goals and objectives. The same is true of the performance indicators, which measured a long list of outputs rather than impact or outcomes. Given that the F Bureau was measuring performance by the wrong indicators, I think its fair to say that the "F process" should not be called progress. Rather, it was a big step backward for U.S. development assistance programs, and it is the wrong choice for our next President. President Bush deserves credit for major increases in foreign assistance to Africa, for creating PEPFAR and MCC, and for the President's Malaria Initiative, but the

"F process" is one of his development initiatives that should be set aside in the next administration.

Just as we resist intrusions in the development space in the name of short-term strategic or diplomatic interests, we also maintain that they should be autonomous from military control or encroachment. The fact that the Department of Defense now implements about 20% of U.S. foreign assistance is troubling, and Congress and the executive branch must take necessary steps to re-capacitate our government's civilian capacity to manage post-conflict reconstruction and stabilization programs.[14] The NGO community is not alone in this assertion either. Secretary of Defense Robert Gates has repeatedly remarked that we must improve U.S. civilian capacity in these areas. Just two weeks ago, in a speech before members of the U.S. Global Leadership Campaign, he stated that, "To truly harness the 'full strength of America,' as I said in the National Defense Strategy, requires having civilian institutions of diplomacy and development that are adequately staffed and properly funded." He went on to say that, "It has become clear that America's civilian institutions of diplomacy and development have been chronically undermanned and underfunded for far too long – relative to what we spend on the military, and more important, relative to the responsibilities and challenges our nation has around the world."[15]

This appreciation for the use of "non-military tools" exists throughout the military's officer corps as well. A recent survey of 499 active duty military officers, and more than 100 officers who retired after the September 11, 2001 terrorist attacks, found that 84% of officers say that "strengthening non-military tools such as diplomacy and development efforts should be at least equal to strengthening military efforts when it comes to improving America's ability to address threats to our national security."[16] There is clearly recognition of the value of civilian-led development programs within the leadership of our military, and we must work with the military to ensure that humanitarian and development programs have the autonomy from military control that they require to be truly effective.

The following key points should guide our government's approach to civil-military cooperation:

- Relations between the military and humanitarian organizations should follow the *Guidelines for Relations between US Armed Forces and Non-Governmental Humanitarian Organizations in Hostile or Potentially Hostile Environments*, which were jointly developed by InterAction and the Department of Defense.[17]
- There must be recognition that, like the military, NGOs adhere to a strict set of principles and standards of behavior, which are based on the *Code of Conduct of the International Federation of Red Cross and Red Crescent Societies and NGOs Engaged in Disaster Relief*. According to the code, NGO signatories are bound by the principles of independence, impartiality, and the imperative that every human being has the right to humanitarian assistance when affected by a natural or man-made disaster.

- The military has a clear advantage over civilian agencies when it comes to logistical, air and water transport, and engineering capacities. These are most effective when coordinated with the civilian expertise of USAID, the UN, and NGOs. In other disaster contexts, however, the military's involvement in emergency relief, stabilization and reconstruction is deeply problematic because of its security focus and lack of specialized expertise. Well-intended projects may have negative consequences and are often unsustainable due to the military's short-term goals. Relief activities by the military also compromise the security of NGO staff in or near conflict areas by blurring the lines between humanitarian and military personnel.
- When the military does engage in humanitarian and development activities, involvement should be approved by civilian agencies and activities should be civilian-led and coordinated. In-country coordination between agencies should be led by the ambassador, and USAID should be consulted to ensure that the "do no harm" principle is respected. Finally, uniforms should be worn at all times, without exception, by members of the military when they are engaging in humanitarian and development activities.
- Finally, I would urge Congress to exercise oversight over the military's activities in the humanitarian and development sphere, especially as the Department of Defense begins playing a larger role in Africa and seeks to expand authorities like the Commanders Emergency Response Program (CERP) to fund humanitarian and development projects globally.

In sum, the space within which NGOs, USAID, and other development agencies function must be protected from harmful intrusions in the name of short-term strategic and political interests, or efforts by the military to engage in development or humanitarian work. The fencing off of these programs can be done by taking the steps I have outlined above, by creating a National Development Strategy that articulates the unique importance and contribution of development relative to diplomacy and defense, and by elevating foreign assistance to the Cabinet-level, which I will discuss in more detail below.

Elevating U.S. Foreign Assistance

For a number of years, InterAction has called for re-capacitating and reinvigorating USAID, and since early 2007, has supported the creation of a Cabinet-level department focused on international development and humanitarian response. While there are a number of other proposals for streamlining and rationalizing American foreign assistance programs, InterAction, like the Modernizing Foreign Assistance Network and the earlier Commission on Weak States and National Security, has determined that a Cabinet-level department is the best option for elevating development assistance in a way that prioritizes people-centered, sustainable development and can best achieve the objectives of the poverty-focused mission described above.[18]

A Cabinet-level department would solve many of the problems related to our government's lack of coherence when it comes to development. As my colleague Anne

Richard, who joins me on today's panel, has noted, we must consolidate the number of actors and objectives in our foreign assistance programs, and I agree with her that we need strong leadership on behalf of these issues at the NSC. But I also believe that we need a voice for development at the Cabinet table alongside the Secretaries of State and Defense. The administration identified development as one of the three pillars of U.S. national security in the 2002 National Security Strategy, and reaffirmed the idea in the 2006 strategy. I've already described the perils of encroachment on the development sphere by the State Department and the military, so if we are serious about relying on development as a pillar of national security that is equal to defense and diplomacy, we must elevate development to the Cabinet-level so that it has the independence and authority to be effective.

InterAction has published a paper that describes how such a Cabinet-level department might be organized, which I have submitted for the record along with my testimony. We envision that a Department for Global and Human Development (DGHD) would replace USAID altogether, and MCC, PEPFAR, and the President's Malaria Initiative would be shifted to the new department as well. According to our paper, "the DGHD would manage programs in key development sectors, including agriculture, civil society, economic growth, education, environment, good governance, health, and rule of law...All functions relating to development and humanitarian assistance presently under the Department of State's Bureau for Population, Refugees and Migration (PRM), including all non-domestic funding for migration and refugee affairs would be housed within the DGHD. Programs in the Department of Agriculture (USDA) relating to food aid would also move to the DGHD as would smaller programs in the Departments of Commerce and Labor and elsewhere. The U.S. Government presently runs six poorly coordinated food aid programs, some of which have conflicting objectives. While USDA would retain a role regarding food aid, these programs would be coordinated and rationalized under the DGHD, and would be run by the new department."[19]

We also propose creating a new, joint office for International Financial Institutions (IFIs) with personnel from the DGHD and the Department of Treasury. "The DGHD would lead on issues concerning the World Bank and other Multilateral Development Banks (MDBs); Treasury would lead on issues concerning the International Monetary Fund (IMF). "The two departments, along with other relevant U.S. Government (USG) entities, would jointly manage debt relief and debt financing issues.

"The DGHD would have a voice on U.S. Government trade policy towards developing countries. More than one dozen U.S. Government departments, agencies and other entities currently have a role in trade issues. This list includes: the U.S. Trade Representative (USTR); the Departments of Agriculture, Commerce, Health and Human Services, Justice, Labor, State, Transportation, and Treasury; USAID; and EPA. The DGHD would have a seat on all major interagency groups working on trade issues."[20]

In contrast with the "F process," which over-centralized foreign assistance programs and failed to elevate development, a key principal of a new Cabinet-level department should be "elevate and streamline, but decentralize." We must utilize, rather than

alienate, the technical development experts in the NGO community and in USAID missions around the world. To those who would argue that separating development from diplomacy would weaken the former by removing it from the strong political support provided by the Secretary of State, I would say that subordinating development to diplomacy, as is currently the case, undermines its effectiveness anyway. The missions of a Cabinet-level Department for Global and Human Development and the State Department would be complimentary, but they are fundamentally different. One focuses on changing lives and building civil society from the ground up, the other on the politics of state-to-state relations.

Conclusion

It is clear that the 21st century presents us with foreign policy challenges that our current development infrastructure is ill equipped to handle. We are also at a point in our history when respect for the United States abroad is at an all time low. At the same time, the next president will take over a country with a large constituency that supports international development, as well as a military that supports improvements in our "non-military tools." He will face difficult challenges and incredible opportunities when it comes to changing the way America relates to the rest of the world, which makes it vitally important that he work with Congress to reach a "grand bargain" that prioritizes these issues, gives the executive branch the flexibility it needs to respond to a rapidly changing world, and ensures comprehensive legislative oversight.[21] The United States must elevate development within our government and give it the space it needs to be effective vis-à-vis defense and diplomacy, focus our foreign assistance and development programs on a streamlined set of objectives by creating a National Development Strategy, and improve the capacity of our government to partner effectively with U.S. NGOs, with other donors, and with aid recipients.

[1] According to information provided by the U.S. Government to the OECD's Development Assistance Committee for its 2006 Peer Review of U.S. development assistance, there are 26 departments and agencies providing Official Development Assistance. See page 20 of the review here: http://www.oecd.org/dataoecd/61/57/37885999.pdf
[2] Nowels, Larry and Connie Viellette, "Restructuring US Foreign Aid: The Role of the Director of Foreign Assistance," Congressional Research Service, June 2006.
http://www.nationalaglawcenter.org/assets/crs/RL33491.pdf (p3)
[3] "Smart Development in Practice: Field Report from El Salvador," Oxfam America.
http://www.oxfamamerica.org/newsandpublications/publications/research_reports/field-report-from-el-salvador/SDP-FieldReport-ElSalvador.pdf (p6)
[4] Radelet, Steve. "Modernizing Foreign Assistance for the 21st Century: An Agenda for the Next U.S. President," March 2008. http://cgdev.org/content/publications/detail/15561 (p13)
[5] Selvaggio, Kathleen; Mehra, Rekha; Sharma Fox, Ritu; and Geeta Rao Gupta, "Value Added: Women and U.S. Foreign Assistance for the 21st Century." http://www.icrw.org/docs/ForeignAidReform_Gender08.pdf
[6] Besley, Timothy; Robin Burgess and Berta Esteve-Volart, "Operationalising Pro-Poor Growth: India Case Study," Washington, D.C., 2005.
[7] In the 1990s, 37% of the agency's workforce (including direct hires and FSOs) left without being replaced, or was laid off in the 1995 reduction-in-force (RIF), and the current attrition rate is outpacing new hires by more than two-to-one. In 2006, 65 FSOs retired while only 29 were hired, and about half of all FSOs have been recruited in the last 6 or 7 years. Even when new officers are hired, it takes two years to fully train them for entry-level jobs. Source: Zeller, Shawn, "On the Workforce Roller Coaster at USAID." The Foreign Service Journal, April 2004, and the American Foreign Service Association (AFSA).
[8] ACVFA Public Meeting. May 23, 2007
[9] "Beyond Assistance: The HELP Commission Report on Foreign Assistance Reform."
http://helpcommission.gov/portals/0/Beyond%20Assistance_HELP_Commission_Report.pdf (p40)
[10] Lancaster, Carol and Ann Van Dusen, "Organizing Foreign Aid: Confronting the Challenges of the Twenty-first Century."
[11] "New Day, New Way: U.S. Foreign Assistance for the 21st Century."
http://modernizingforeignassistance.net/sitebuildercontent/sitebuilderfiles/newdaynewway.pdf
[12] More information about the "F process" is available in the InterAction report, "Foreign Assistance Reform: Views from the Ground." http://interaction.org/library/detail.php?id=6312
[13] Adams, Gordon, "Don't Reinvent the Foreign Assistance Wheel." *Foreign Service Journal*, March 2008.
http://www.afsa.org/fsj/mar08/dontReinvent.pdf
[14] In CY 2005, DOD disbursed about $5 billion in foreign assistance – nearly 19% of the total foreign assistance budget – mainly for reconstruction work in Iraq and Afghanistan. For more information, see the Congressional Research Service Report cited above.
[15] Secretary of Defense Robert Gates, in remarks at the U.S. Global Leadership Campaign Tribute Dinner. July 15, 2008
http://www.usglc.org/images/stories/events/2008_tribute_dinner/usglc%20remarks%20by%20secretary%20of%20defense%20gates.pdf
[16] Survey of Military Officers conducted on behalf of the Center for U.S. Global Engagement by Geoff Garin and Bill McInturff, July 15, 2008. http://www.usglobalengagement.org/Portals/16/ftp/Military_poll_highlights.pdf
[17] InterAction-Department of Defense "Guidelines for Relations between US Armed Forces and Non-Governmental Humanitarian Organizations in Hostile or Potentially Hostile Environments."
http://www.usip.org/pubs/guidelines_pamphlet.pdf
[18] See "New Day, New Way" report cited above, and the Center for Global Development's Commission on Weak States and National Security report, "On the Brink: Weak States and US National Security."
http://www.cgdev.org/doc/weakstates/WeakApp.pdf (appendix III).
[19] "Proposed Major Components and Organization of a Cabinet-level Department for Global and Human Development," http://interaction.org/files.cgi/6306_Cabinet-level_org_paper.pdf
[20] *Ibid*
[21] See "New Day, New Way" report cited above

Written Statement of Gerald F. Hyman
Before the Senate Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia
Thursday, July 31, 2008
2 p.m. Room 342 Senate Dirksen Office Building

Chairman Akaka, Ranking Member Voinovich, and Members of the Subcommittee, thank you for holding this hearing on reforming the foreign assistance bureaucracy and for offering me the opportunity to appear before you.

Fragmentation and Integration

The reconsideration after September 11 of the role, purposes, organization and performance of foreign assistance, and the elevation of that role in the National Security Strategy of 2002 and 2006 has drawn foreign assistance into sharp relief. Internationally, foreign assistance suffers from many deficiencies, both theoretical and practical. It suffers organizational defects as well, at least in the United States.

Over the course of my nearly 17 years at USAID, the organization of foreign assistance in the US Government as a whole has become fractured, tangled, mangled, mismanaged and mal-aligned. In that condition, foreign assistance could not possibly meet its sustainable developmental function, let alone the elevated national security role newly assigned to it, even if there were excellent theory and programming practice. Albeit belatedly, the Administration has recognized the problem---to which in good measure it, itself, contributed---and moved to fix it. The fixes have been imperfect, in my view, and should be substantially revised. Recognizing many of the same deficiencies, other voices have called for more substantial reorganization, including a new cabinet-level department of development. There are strengths and weaknesses to most of the organizational options available, but on balance, a separate cabinet-level agency goes too far, in my view.

Two organizational dimensions would benefit from Congressional support.

First, Congress should support the continued integration of development assistance as part of our foreign policy, indeed as part of our national security policy, and therefore closely connected to the Department of State, not housed in a new, separate cabinet-level department.

Second, however, Congress should, in a constitutionally appropriate way, resist the constant fracturing of assistance programs into discrete organizations, both within and outside the Department of State.

Although the president is primarily responsible for the execution of the laws and therefore the structure of the executive branch and should have broad authority over that structure, Congress is right to be concerned that the funds it appropriates are properly, efficiently, and effectively used. The fragmentation of foreign assistance has instead

created redundancies, inefficiencies, and incompatibilities that impede both our development policies and the broader foreign policies of which they are, and should remain, a part.

The fragmentation problem

Three decisions in this administration exemplify the fragmentation problem, although they are hardly unique and previous administrations were hardly immune from the same inclination. The President's Emergency Plan for AIDS Relief (PEPFAR), the Millennium Challenge Corporation (MCC), and the Middle East Partnership Initiative (MEPI) were all extensions of what the U.S. Agency for International Development (USAID) was already doing at a more modest level and could have been assigned to do at a more robust level, especially if it had the authorities and the level of support provided to PEPFAR, the MCC and MEPI. Leaving aside whether these were good programmatic ideas, they need not, and should not, have been isolated from USAID's core developmental mission.

The devastation of HIV/AIDS was recognized by development practitioners, including those within USAID, well before the George W. Bush Administration and PEPFAR. Under President Clinton and President George H.W. Bush, USAID was already working on HIV/AIDS. The U.S. Government did not need PEPFAR to address the problem.

Similarly, assistance to "outstanding performers" who had made tough policy decisions and could use additional assistance to mitigate the social consequences of those decisions as a kind of "reward" for the difficult choices, did not require a new corporation like the MCC, outside the existing structure of the U.S. Government. With the different authorities and resources provided to the MCC, USAID could have managed the Millennium Challenge Account. Indeed when the idea of the millennium challenge program was first mooted, several organizational forms were considered for its implementation, including a special unit within USAID. That was not the path chosen. Instead, President Bush created the MCC as a semi-autonomous corporation. Moreover, after the MCC was created, it was inadvisable that the MCC actively reject any relation with USAID, including USAID's lessons born of long experience. More than inadvisable, the artificial wall of separation was counterproductive. Happily, that initial policy has been changed, but it remains an instructive illustration of what organizational fracturing can bring.

MEPI, too, was not substantially, let alone fundamentally, different from what USAID was already doing. Arguably, it had a different political cast but not an essentially different purpose or program. But it did have an entirely new staff in an entirely new office in a regional bureau of the Department of State. That bureau had been engaged on diplomacy. Now it also designed, managed an implemented a foreign assistance program parallel to the one that USAID has managed. Initially, USAID was asked to implement MEPI programs until, for no obvious reason, MEPI reconstructed its own grant and contract operations within the Department of State. The result is two sets

of programs on each of economic growth, democracy and governance, and education: one designed and managed by USAID and another by MEPI.

MEPI, MCC and PEPFAR are but examples. Regional bureaus and functional bureaus within the Department of State have also managed, and some are still managing, their own assistance programs. From time to time, there may be reason for asking a regional or functional bureau at State to deign and implement assistance programs, but the reasons should be compelling. Just as we do not imagine a parallel diplomatic program designed and implemented by USAID, assistance programs should not generally be designed and implemented by State's regional and functional bureaus. Managing assistance should not be the response to a desire by this or that assistant secretary or office director for a separate program, and too often that exactly has been the underlying reason.

Finally, many agencies and cabinet-level departments outside of the International Affairs Budget (the so-called "150 budget") and outside the Department of State have their own development assistance programs, including for example the Department of Labor, the Department of Commerce, the Department of Justice, the Department of Agriculture and, of course, the Department of Defense. Congress appropriates some of these funds directly, but other funds are transferred from the International Affairs Budget by State or USAID. They should be made on the basis of the clear expertise of the recipient agency in an area deemed important to the developmental or foreign policy mission, expertise that need not be duplicated by USAID. Too often, unfortunately, the transfers are a result of inter-agency demands from departments based primarily on their greater bureaucratic clout. In effect, the transfers reflect bureaucratic weakness by USAID or even State rather than true need or expertise in the recipient agency. Congress may think it is appropriating funds to State or USAID but in reality it may be appropriating a pass-through to other departments and agencies.

No doubt, USAID is a deeply troubled, weak, demoralized, perhaps even debilitated agency badly in need of reform. Its procurement and human resources operations are problematic, to say the least. But notwithstanding its defects, many or all of these programs could have been managed within what is supposed to be our development agency. Instead, as already noted, they were located elsewhere too often as a response to bureaucratic clout and turf battles rather than comparative advantage. The construction of parallel operations and analogous programs in the same country frequently results in redundant, wasteful mismanagement. It encourages unnecessary turf wars as the various organizations vie for authority and budget. Even more troublesome, it diminishes policy coherence, particularly when different U.S. personnel from different agencies provide conflicting advice on similar subjects, and it exacerbates the problem of fragmentation within the Department of State.

The fragmentation of program authority and management, within State and between departments, is perhaps the single greatest contributor to the tangled, mangled, fractured, fragmented and ultimately mismanaged and mal-aligned organization of our

foreign assistance and to policy incoherence. It is a poor way to construct a government. We should have kept these, essentially development programs, in the development agency we already had. Instead we have been picking away at what by now has become almost a barely functioning carcass. Either we have a development agency or we do not. If we need to fix it, then let us do that. If it is beyond redemption, then it should be dispatched and replaced with a single agency which commands confidence. Perhaps anticipatory exhaustion at the prospect of reconstructing USAID is the primary rationale behind the proposal for a new department of development. But would USAID's problems be fixed by moving development to a new cabinet-level department which would have to address the same problems starting anew? The only real advantage is that the secretary of the new department might be better able, politically and bureaucratically, to resist the depredations from other entities and certainly would be motivated to do so since foreign assistance would not be a secondary or tertiary concern, as it was to many previous secretaries of state? But the problems with the existing development agency and the prospect of a more empowered and motivated secretary is hardly a compelling reason to create an entirely new cabinet-level agency. Better that foreign assistance be a serious concern of the secretary of state and that the administrator of the development agency be empowered within the existing structure.

Integration with foreign policy

Indeed, a new department of development would also bring new and different problems. Those problems by themselves outweigh its benefits, in my view. Certainly, a new department would divorce development from diplomacy organizationally, and while, for some, the separation is precisely the reason to create the new department, I think it would, on balance, do more harm than good.

For one thing, development assistance is one of the incentives by which other countries are encouraged to support other elements of our diplomacy, but conversely diplomacy is frequently used in support of development goals. Secretary Rice has been a champion of both. On the basis of the National Security Strategies of 2002 and 2006, which elevate development as an integral part of our national security policy along with defense and diplomacy, Secretary Rice amalgamated diplomacy and development into what she has called "transformational diplomacy." The purpose of transformational diplomacy is not just to *represent* US interests to other countries, but to assist in *changing* the countries themselves, to help move them up a scale by from "Restrictive" or "Rebuilding" to "Developing" then "Transforming" countries to, finally, "Sustainable Partnership" countries. The goal is to build a world of healthy, educated, prosperous populations living in free market democracies. However one evaluates the rationale of that conception or the likelihood of its success, under that policy both assistance and diplomacy will be used to advance developmental goals even as development resources will be used to advance diplomatic purposes. They are part of one foreign policy effort.

As noted, some assistance funds will be used to shore up other diplomatic efforts, including support for US positions in multilateral fora, advancing stability and security goals, and inducing behavior that advances our non-developmental national interests.

Some believe these are improper uses of assistance, but I do not. A few recent examples will indicate why.

The U.S. agreed to supply food aid and fuel to North Korea as part of a package of incentives that will presumably result in the disclosure, verification, control and reduction of North Korea's nuclear resources and capabilities. In the right atmosphere and with the right North Korean policies, even more would presumably be supplied. In Pakistan, the U.S. is providing $750 million in non-military assistance for the Federally Administered Tribal Areas alone and an additional $826 million for the rest of the country. Why? Because of the instability in FATA itself, its use as a safe haven by the Taliban, and the threat it poses to the stability of Pakistan as a whole. The Administration has requested $332 million for assistance to Sudan, 16% of the entire non-HIV/AIDS total for all of Africa, because of the instability in South Sudan, the Comprehensive Peace Accord, the threat of terrorism, oil resources, and a myriad of other reasons. Our levels of assistance for Haiti and the many hand-wringing meetings on the seemingly intractable problems there are in part because its internal instability threatens the entire region. These are only a few examples, and they do not include the amounts provided by the Department of Defense. In my view, these constitute a justifiable use of assistance funds. At the very least, such use is likely to continue.

Those who support a separate development agency do so in part because they want a pure developmental program or at least a home for one, "unsullied" by the other considerations of foreign policy, which would remain with the Department of State. So either the North Korea, FATA, Sudan, and Haiti programs (and others like them) which now constitute over 2/3 of the "development" budget, would not be funded, or they would be funded only at the levels justifiable on purely developmental grounds, or (since the current levels are not justifiable for purely developmental reasons) they would be funded and managed by the Department of State rather than the new cabinet-level department. In my judgment the third option is undesirable because it exacerbates the fragmentation of assistance programs, and the first two options are undesirable but also they are unlikely.

Strategy vs. tactics: the third problem

To its credit, the Bush administration has recognized the problems of fragmentation and, under Secretary of State Rice, has begun to deal with them. Contrary to the spirit of a new department for assistance, however, she has integrated assistance and diplomacy even more tightly into the Department of State. To effect "transformational diplomacy" and to align at least that part of the fractured foreign assistance programs under her authority, Secretary Rice created a new position, the Director of Foreign Assistance, made the position into a de-facto deputy secretary roughly equal to the official Deputy Secretary responsible for diplomacy and general foreign policy, and created a new process under the Director of Foreign Assistance.

Notwithstanding its laudable goals, the new, so-called "F process" suffers from several probably curable but serious defects: it blurs the distinction between strategy and

tactics, creates a hyper-centralized bureaucracy, consolidates too many decisions in Washington, oversimplifies the character of recipient countries, undermines the value and contribution of our in-country expertise, and has damaged the attempt to measure impact. The "F-staff" has recognized some of these problems and has modified the process, but not sufficiently in my view.

Historically, the US approach has differed from that of the other donors---both bilateral and multi-lateral---in part because we have relied primarily on our in-country teams to propose as well as manage the details of our assistance programs. We have done so to capture the local context: What are the specific obstacles to development? Who supports change and who gains from the status quo? Which groups and organizations would maximize assistance to achieve greater development? How can we help overcome resistance from self-dealing elites? The balance between what is designed, managed and decided "in the field" as against Washington is always subject to debate and adjustment.

In general, however, Washington should help design and certainly should approve the strategy of a country program. To do so, all parties must properly understand what is truly strategic and what is actually tactical. In the past, Washington played its strategic role by laying down the general parameters under which the field was instructed to develop a context-specific plan, which it brought to Washington for discussion and approval. I believe that was the right mix. The "F process" however, changed that combination of top-down and bottom-up. Now, to cite its own principle, "Washington will define the strategy, the field offices will devise its implementation." The country team no longer takes the lead on the design of the country plan under the general strategic guidelines of Washington. Instead, with some field input but by merging strategy and tactics, Washington drafts a highly detailed plan which the field manages. Strategy and tactics are confused with one another and combined. Strategy no longer consists of a general design, but rather of a micro-detailed allocation of resources as well.

For FY 2007, the F staff led an inter-agency process in creating and then applying a scheme of 5 objectives, 24 program areas, 96 program elements and 407 program sub-elements. A given country would have some mix of these objectives, program areas, program elements and program sub-elements. Washington, not the field, would decide the mix and even the budget allocations, at least down to the 96 program elements. Happily, that highly prescriptive system was adjusted for FY 2008. Although the country team now participates to a significantly greater extent than it did, the authority for relatively minor decisions remains still in Washington.

Certainly, a major reason for the "F reforms" is to achieve more coherence and less fragmentation. It has done so, but at too high a cost, in my opinion. The F process sacrificed the detailed knowledge, the nuances of trade-offs, and the personal contacts of the country team for the greater coherence imposed by Washington's centralized decisions. The improved coherence was certainly laudable, but it went too far. It sacrificed too much. The coherence could have been achieved with modifications to the

old process that retained a better balance between Washington and the field. A more flexible, inter-active process could, I believe, have retained the advantages of the field perspective yet provided the improved coherence that was so badly needed. Ironically, just as the Director of Foreign Assistance moved to hyper-centralize in Washington, the other donors were decentralizing based on our previous model.

The better course

Given the widely shared concerns about fragmentation and my own concerns about a separate, cabinet-level department, the better organizational course, in my judgment, is to keep but very substantially revise the F process or return to an earlier time when USAID was an independent agency under the general guidance of the Secretary of State. In either case, USAID will need to be substantially revitalized and should be the primary albeit not exclusive implementer of foreign assistance.

The revitalization of USAID is no easy matter. It means that the next USAID administrator, secretary of state and president would need to abjure the inclination of too many predecessors to create new programming initiatives or programs in order to "leave a mark." The best real mark would require concentrating on some of the core problems of USAID: the recruitment, management and compensation of its professional staff; the procurement regime under which it operates; and the legal framework that constrains and guides it. These are not thrilling topics. By far the more glamorous alternative is to create yet more separate initiatives or move the organizational boxes within the Agency. But that alternative would leave USAID as it has been: a fish out of water desperately gasping for air and life. Some new programming initiatives may be necessary but we have seen too much of it before. True necessity, not just inclination, should be the criterion for any new programming initiatives.

We need to return to some of the basics by which any agency, and certainly an agency responsible for billions of dollars of foreign assistance, necessarily requires: personnel, procurement and legal operating structure. These are problems too long neglected at USAID. Absent sufficient attention to them, the result is a wounded, incapable entity, whether located in State, or in a separate cabinet-level department, or as an independent agency with a reporting line to the Department of State or to the president. The regional and technical boxes within USAID are important, but without the fundamental core of excellence in people and procedures, the entire set of boxes will fail no matter where they are located.

In short, these are the principles of the foreign assistance bureaucracy in most critical need of attention, in my view.

- Build one foreign assistance agency.
- Reverse the fracturing of assistance programs into discrete entities throughout the U.S. Government, both within and outside the Department of State.
- Continue the integration of foreign assistance as part of our foreign and national security policies.
- Keep foreign assistance closely connected to the Department of State, not housed in a new, separate cabinet-level department.
- Keep Washington concentrated on the large, truly strategic picture and leave programming tactics largely to the field.
- However, provide advice and oversight to the field not just carte blanche, and base that oversight on policy considerations and lessons truly learned.
- Resist new programming initiatives unless necessary.
- Revitalize USAID by concentrating on its basic deficiencies in human resources, the procurement regime and the legal structure.

Congressional role

Congress, especially this Subcommittee, can play a critical role in enforcing these principles. It can examine the regular impulse of the president, secretary of state, or USAID administrator to create new initiatives in new organizational edifices rather than, when necessary, modifying the old ones and finding room for them in the existing structure. It can insist that the essentials of the foreign assistance bureaucracy be reformed, that the structural proliferation be ended and with it the consequent redundancies, inefficiencies, mismanagement and waste, and that the fundamentals be taken care of. As the appropriator of the funds for foreign assistance, Congress can and should ask that these simple principles of good governance be followed. If the next secretary of state and USAID administrator do not commit to dealing with these very-broken basics and to avoiding the temptation that puttering with the programs and the boxes affords, then perhaps the complete demise of USAID and the construction of a new foreign assistance department is indeed the best alternative.

No doubt, these are substantial problems. The organization of foreign assistance has no simple solution. There are multiple possibilities, each with strengths, weaknesses and champions. This sub-committee is doing a great service by taking the time and interest to consider them. While not sensational, the structure and function of the foreign

assistance bureaucracy is critical to a good assistance program, which is in turn an elemental part of our foreign and national security policies.

Chairman Akaka, Ranking Member Voinovich, and Members of the Subcommittee, thank you again for holding this hearing and for offering me the opportunity to appear before you and offer my thoughts.

BACKGROUND
A RELIANCE ON SMART POWER – REFORMING THE FOREIGN ASSISTANCE BUREAUCRACY
July 31, 2008

Background

Foreign assistance has been an essential element of both the United States' national security and relationship to the developing world for over sixty years. From the reconstructive efforts of the Marshall Plan in the late 1940's, through the enactment of the Foreign Assistance Act in 1961, to the recognition of foreign assistance as a pillar of U.S. national security during the past decade, foreign assistance is a crucial element of U.S. international efforts to bring development, democracy, and hope to regions of the world confronted with significant challenges.

President George W. Bush officially recognized the positive impact of foreign assistance and international development in his 2002 and 2006 National Security Strategies. In 2002 his top priorities for the U.S. included being "champion aspirations for human dignity" through foreign aid and "expanding the circle of international development by building the infrastructure of diplomacy."[1] His 2006 strategy reiterated these same points, with additional emphasis of identifying "two pillars" upon which the National Security Strategy is built: the promotion of freedom, justice, and human dignity and leading a community of democracies. Both the 2002 and 2006 strategies emphasized development as much as defense and diplomacy. Foreign assistance has won broad support from both major parties and will likely be at the forefront of national security goals during the next administration.[2]

Support for strengthened, better coordinated, foreign assistance capabilities has also come from the Department of Defense. Most recently, Secretary of Defense Robert Gates delivered a speech before the U.S. Global Leadership Campaign in which he argued for augmented civilian capacity in the institutions that support international development and diplomacy. He asserted that the integration of capabilities between the different elements of U.S. influence is a vital issue. The "militarization of foreign policy" – meaning the military handling missions that were designed for civilian organizations engaged in international affairs – concerns him despite the fact that he sees a critical role for the military in providing basic services, security, and reconstruction during the early phases of a conflict or natural disaster.[3]

Foreign Assistance Bureaucracy

The U.S. Agency for International Development (USAID) was created by the Foreign Assistance Act, and established by President John F. Kennedy, in 1961. This new agency was created to

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[1] President George W. Bush, *The National Security Strategy of the United States of America*, September 2002.
[2] President George W. Bush, *The National Security Strategy of the United States of America*, March 2006.
[3] Secretary Robert M. Gates, *Speech before the U.S. Global Leadership Campaign (Washington, D.C.)*, July 15, 2008.

unify existing foreign assistance programs and provide support directly to developing nations. USAID was also created to focus on long-term economic and social development.[4]

During the past decade, two significant changes have occurred at USAID. In 1999, USAID, along with the Arms Control and Disarmament Agency (ACDA) and the U.S. Information Agency (USIA), were merged into the Department of State. Previously these agencies were not under the direct control of the Department.

In January 2006, Secretary Rice announced her intention to merge more closely USAID with the State Department. This action initiated the "F Process." The process would ensure the most effective use of resources in meeting policy objectives, improve the alignment of Department of State and USAID activities in regards to foreign assistance, and demonstrate the good use of taxpayer dollars.[5]

Additionally, Secretary Rice began this process to address a lack of strategic focus in the foreign assistance bureaucracy and to focus on Transformational Diplomacy. Key issues underlying the lack of strategic focus were the absence of clear goals and ways to measure progress, duplicative budgeting procedures and processes, overlapping roles in Washington, D.C. and in the field, and a lack of accountability. The solutions to these problems were to direct foreign assistance towards Transformational Diplomacy and enable this assistance with improved strategic thinking and implementation. This meant that states would receive development aid in a manner and amount appropriate to improve their status as responsible partners in the international system. In addition to this broad focus, State Department headquarters, via a newly established office, would take the leadership role in: setting strategic direction and priorities; ensuring field personnel would implement strategic priorities; integrating USAID and Department budgeting, planning, and performance management processes; and strengthening accountability.[6]

Under then USAID Administrator Randall Tobias, the Office of the Director of Foreign Assistance was created. Within this new organization, he had personnel from the USAID office that set goals, policies, and overall budget levels, as well as personnel from the State Department's Resource Management Bureau. Administrator Tobias apparently began referring to the new office as "F", or the F Bureau, which by its single letter status, made it clear that his new organization was near the very top of the State Department bureaucracy.[7]

The State Department's F Bureau has become the primary entity within the U.S. Government for coordinating U.S. foreign assistance. Henrietta Holsman Fore, who now serves as the Administrator of USAID, serves concurrently as the Director of U.S. Foreign Assistance (DFA), the position atop the F Bureau. This position confers to the DFA an equivalent hierarchical status to that of the Deputy Secretary of State.[8]

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[4] Accessed July 22, 2008 at http://www.usaid.gov/about_usaid/usaid.hist.html .
[5] Accessed July 7, 2008 at http://www.state.gov/r/pa/prs/ps/2006/59398.htm.
[6] Briefing materials provided to Senate Homeland Security and Governmental Affairs Committee Subcommittee on Oversight of Government Management staff on June 30, 2008.
[7] Gerald F. Hyman, *Assessing Secretary of State Rice's Reform of U.S. Foreign Assistance,* The Carnegie Endowment for International Peace, 2008.
[8] Accessed July 7, 2008 at http://www.state.gov/r/pa/prs/ps/2006/59398.htm.

The F Bureau, under the Director of Foreign Assistance's leadership:

- Provides leadership, coordination and strategic direction within the U.S. Government and with external stakeholders to enhance foreign assistance effectiveness and integrates foreign assistance planning and resource management across State and USAID;
- Leads strategic, operational, and performance planning of U.S. foreign assistance with a focus on aligning resources with policy priorities;
- Develops and defends foreign assistance budget requests and allocates State and USAID foreign assistance funding to meet urgent needs and new opportunities and to ensure long-term sustainable investments; and
- Promotes good stewardship of foreign assistance funds by strengthening oversight, accountability, and transparency. [9]

The Evolution of the F Process: A Mixed Review and Many Obstacles

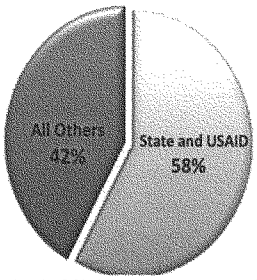
There are many criticisms of the F Process. They have included: a near merger of USAID with the State Department creating confusion between diplomatic and development agendas; the F Bureau's lack of effective control over development activities both within and outside of the State Department; a core staff that cannot keep pace with running the government's foreign assistance programs; and the domestic centralization of strategic and tactical development issues.[10]

However, some benefits of the F Process have been identified. Mr. Gordon Adams, in a recent article in the *Foreign Service Journal*, argued that the creation of the F Bureau in 2006 was a "giant step" in terms of foreign assistance planning. Among the other benefits, he listed: the development of a clearer programmatic picture of how foreign assistance is used; a common framework for measuring performance; and the organization of foreign assistance into distinct strategic goals.[11]

The F Bureau is clearly not the only organization carrying out and funding U.S. foreign assistance. There are as many as 50 different programs within 26 different agencies contributing to foreign assistance, most of which reside outside of the State Department.[12] The need for coordination of U.S. efforts is great. This is not only because the President identified development alongside defense and diplomacy regarding U.S. national security, but also since the agencies outside of the State Department and USAID have contributed as much as 42% of total U.S. official development assistance.[13] The other agencies involved in foreign assistance include: Departments of Agriculture, Defense, and Commerce; the Centers for Disease Control

[9] Accessed July 7, 2008 at http://www.state.gov/f/.
[10] *Why the U.S. Needs a Cabinet-level Department for Global and Human Development,* InterAction Policy Paper, June 2008. Accessed July 7, 2008 at www.interaction.org.
[11] Gordon Adams, *Don't Reinvent the Foreign Assistance Wheel,* Foreign Service Journal, March 2008.
[12] CRS Report for Congress, *Foreign Aid Reform: Issues for Congress and Policy Options*, April 22, 2008.
[13] *Foreign Aid Reform*, April 2008.

and Prevention and the U.S. Forest Service; and independent agencies such as the Millennium Challenge Corporation, the Environmental Protection Agency, the National Science Foundation, and the Export-Import Bank.[14] Beyond the coordination challenges workforce issues also exist.



The Sources of U.S. Official Development Assistance[15]

USAID is the main implementer of U.S. foreign assistance and suffers from significant staffing challenges. For instance, the number of USAID professional staff has fallen by a third since the 1990's.[16] Instead of having a large cadre of government personnel who could provide local development assistance, USAID has taken on more of a contracting focus, with attendant responsibilities for monitoring and evaluation. To begin to resolve these issues, USAID is seeking hiring authority for 300 additional Foreign Service Officers in FY2009. The new FSOs will fill critical roles including public health, financial management, economic growth, and agriculture.[17]

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[14] *Foreign Assistance Reform,* 27.
[15] *Foreign Aid Reform,* April 2008.
[16] Lael Brainard, *U.S. Foreign Assistance: Reinventing Aid for the 21st Century*, Testimony before the House Appropriations Committee Subcommittee on State, Foreign Operations, and Related Programs, January 23, 2008. Accessed May 29, 2008 at http://www.brookings.edu/testimony/2008/0123_foreign_assistance_reform_brainard.aspx?p=1.
[17] Brainard, January 2008.

	FY 2007 Actual	FY 2007 Supp	FY 2008 Estimate	FY 2008 Supp	FY 2009 Request
U.S. Direct Hires Funded by Operating Expenses					
End-of-year On-board	1,995	0	2,147	18	2,447
Estimated Full-Time Equivalent Work Years	2,005	0	2,005	15	2,180
Limited-Term Program-Funded Appointments					
End-of-year On-board	204	0	230	0	230
Estimated Full-Time Equivalent Work Years	194	0	230	0	230

USAID Workforce[18]

The Government Accountability Office raised concerns regarding the State Department's foreign assistance human capital in 2007. GAO found that the Department's workforce planning had not defined the skills necessary to achieve its current and future programmatic goals, that the staff needed to better manage and monitor foreign assistance programs, and that inconsistent requirements for staff involved in foreign assistance existed. In addition to this, during the F Process, the State Department did not use strategic workforce planning to ensure staffing and skill requirements were sufficient.[19]

In its Fiscal Year 2007 assessment of USAID's most serious management and performance challenges, the USAID Office of Inspector General OIG commented on the areas of "Managing for Results" and "Human Capital Management", among others. It remains questionable whether the Foreign Assistance Coordination and Tracking System (FACTS), the system designed to track and manage USAID and other programs towards overarching results, is meeting it operational requirements. In addition to coordination and managing for results, the OIG found that USAID needs to further implement its workforce planning initiatives to close skills gaps. Efforts would need to include a focus on recruitment, retention, training, and succession planning.[20]

A Broad Look at Management Challenges of the Foreign Assistance Bureaucracy

Four areas of significant concern within the foreign assistance bureaucracy – across the U.S. Government – are its mission, processes, structure, and workforce. Congressional testimonies, as well as a number of reports and articles, provide both descriptions and prescriptions to address these concerns.

There has been a growing perception of foreign assistance "militarization." Sections 1206 and 1207 of the 2006 National Defense Authorization Act created programs to support security and

[18] Congressional Budget Justification, *Foreign Operations*, FY2009.
[19] GAO Report to the Honorable Richard G. Lugar, Ranking Minority Member, Committee on Foreign Relations, U.S. Senate, Department of State: Human Capital Strategy Does Not Recognize Foreign Assistance Responsibilities, GAO-07-1153, September 2007.
[20] Donald A. Gambatesa, *Information Memo for the Acting Administrator: U.S. Agency for International Development's (USAID)Most Serious Management and Performance Challenges*, October 5, 2007. Accessed June 30, 2008 at http://www.usaid.gov/policy/afr07/oai_0101.html.

foreign assistance efforts. The Section 1206 program allows the Secretary of Defense to train and equip foreign military forces to conduct counterterrorism operations or to support military or stability operations in which the United States participates. The Section 1207 program gives the Department of Defense the authority to transfer funding to the State Department for reconstruction, stabilization, and security activities in foreign countries. Both sections of funding authority have been used heavily throughout Africa, Asia, Central America, and the Caribbean. Since the enactment of these programs, the Secretary of State has been given the responsibility of coordinating with the Secretary of Defense in the formulation and implementation of these programs.

In a December 2006 report by the Senate Foreign Relations Committee Minority Staff they examined how well the State and Defense Departments were working together to support U.S. foreign policy goals overseas. The staff found that the number of military and DoD employees and activities have been greatly increasing, a growing dependence on the military for traditionally civilian agency projects, and evidence that some host countries may becoming concerned about the military's larger footprint in their countries.[21]

The November 2007 report by the Senate Foreign Relations Committee Minority Staff took a broader approach by examining the implications of the F Process and the increase in foreign assistance programs on overseas operations. A number of the key findings were: a lack of common purpose among agencies and organizations providing aid; poor communication from headquarters coupled with over centralization; a perception that new foreign assistance programs cause a decrease in USAID sponsored programs; that USAID personnel are still the critical link for delivering foreign assistance effectively; and that greater coordination of the various foreign assistance programs is needed at some embassies.[22]

Dr. Lael Brainard of the Brookings Institute addressed the challenges of the U.S. foreign assistance bureaucracy in congressional testimony in January 2008. She argued that the development mission must be placed at the same level as defense and diplomacy. The conflict between the Department's state-to-state focus and development's need to sometimes work around, or even in opposition to another government, places the current foreign assistance bureaucracy in a weak position, given its current subordination to the State Department. Dr. Brainard also stated that reducing the number of strategic priorities to a more manageable number will lead to greater unity of effort. She also described the significant workforce issues confronting USAID. In addition to her observations about the past cuts in USAID staffing, she also decried USAID's lack of technical expertise.[23]

Steve Radelet, a senior fellow from the Center for Global Development, also identified many organizational problems within the foreign assistance bureaucracy. Closely related to his concerns about the decreased staffing of USAID, especially during the 1990's, he is troubled that

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[21] *Embassies as Command Posts in the Anti-Terror Campaign,* A Report to Members of the Committee of Foreign Relations, United States Senate, December 15, 2006.
[22] *Embassies Grapple to Guide Foreign Aid,* A Report to Members of the Committee on Foreign Relations, United States Senate, November 16, 2007.
[23] Lael Brainard, January 2008.

USAID has become a contracting agency that focuses on outsourcing development programs to private service contractors. He also remains critical of the 2006 F Process at the State Department for at least three reasons: a large number of programs involved in foreign aid were not involved in this major reform, Congress was not involved in the reform discussions, and that the DFA continues to be limited in his/her impact with development policy since it is organizationally subordinated to the Secretary of State. In addition to his general workforce and concerns about previous reforms, Mr. Radelet rates the monitoring and evaluation systems for foreign assistance as weak. These systems appear to be focused on the expenditure of funds rather than programs meeting strategic or development objectives.[24]

Dr. Gerald Hyman of the Center for Strategic and International Studies recently wrote about the coordination challenges of U.S. foreign assistance, primarily in the F Bureau. He described an uneasy tension between centralized strategic planning and decentralized implementation. As an aspect of centralization, the F Bureau created a model to codify and quantify all types of foreign assistance. It has, in the author's view, had the unintended effect of making people believe that foreign assistance is a precise field and can be properly divined without having extensive knowledge of specific countries. Additionally, this model tends to have those who are stationed abroad provide extensive operational plans and details to support foreign assistance programs, often to the detriment of actually carrying out their programmatic responsibilities. However, the centralized process is an anomaly in terms of how the donor community has been focusing its efforts in recent years as well as how the U.S. government has historically implemented assistance, since decentralized efforts have become more commonplace. In addition to his concerns about centralization, he perceives the relationship between the executive and legislative branches as poisoned. He wants more attention to be focused on clarifying how far Congress should go in determining the nature and structure of foreign assistance and also on the need for the President to consider consulting Congress, as a co-equal branch of government, during major foreign assistance reforms.[25]

A Broad Look at Recommendations and Reform

The Center for Strategic and International Studies Commission on Smart Power, co-chaired by former Deputy Secretary of State Richard Armitage and Dr. Joseph Nye had global development as one of its five critical areas. The Commission identified three actions which the next administration should focus on: elevating the development mission to the Cabinet-level; a more unified approach across all foreign assistance agencies and programs across the U.S. Government; and locally supported delivery systems which would also include increased oversight and improved metrics.[26]

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[24] Steve Radelet, *Modernizing Foreign Assistance for the 21st Century: An Agenda for the Next U.S. President*, March 2008. Accessed May 29, 2008 at www.cgdev.org.
[25] Gerald Hyman, *Assessing Secretary of State Rice's Reform of U.S. Foreign Assistance*, February 13, 2008.
[26] *CSIS Commission on Smart Power: A smarter, more secure America*, Center for Strategic and International Studies, 2007.

The Helping to Enhance the Livelihood of People Around the Globe Commission Report on the Foreign Assistance Reform (Pursuant to Public Law 108-199) identified many foreign assistance challenges and possible improvements. The primary recommendations applicable to the organizational aspects of foreign assistance included: strengthening the monitoring and evaluation, human resources, and procurement capabilities of U.S. Government agencies; the reorganization of all U.S. international affairs functions into a restructured State Department with a high-level mechanism to coordinate policy for all agencies providing assistance; and developing a new relationship between the executive and legislative branches that reflects the need for greater accountability and flexibility.[27]

The Modernizing Foreign Assistance Network released a report in June 2008 which presented a way ahead for U.S. foreign assistance. All five of the "Core Principles for Developing U.S. Foreign Assistance" are applicable to the organizational challenges faced by the foreign assistance bureaucracy. These included: elevating global development as a national interest; aligning foreign assistance policies, operations, budgets, and statutory authorities; reforming the organizational structures; committing sufficient and flexible resources with accountability and results; and partnering with others. The Network also listed four "Priority Actions for Modernizing U.S. Foreign Assistance." The actions most applicable to organizational improvement included: the development of a global development national strategy; creating a Cabinet-level Department for Global Development with increased human resource and monitoring capacity; and increasing the accountability of foreign assistance.[28]

InterAction, an organization representing more than 165 nongovernmental organization members focused on helping the world's poor, presented a rationale for a reorganization of the existing components of foreign assistance into a new Cabinet-level Department for Global and Human Development. The seven principals for effective foreign assistance and the need for a new development provided this basis:

- Poverty reduction must be a primary objective of U.S. foreign assistance;
- Achieving the long-term objectives of global prosperity depends upon sustainable development as a long-term process, which should not be sidetracked for any short-term political agenda;
- Cohesion and coherence, in place of current fragmentation, are necessary to achieve the use of foreign assistance resources;
- Building local capacity promotes country ownership and leads to self-sufficiency;
- Harmonize priorities among U.S. government agencies, multilateral institutions and recipient governments to assure the best use of resources;
- Humanitarian assistance programs should continue to be a core part of foreign aid; and
- U.S. foreign assistance programs should be under civilian control and run by development professionals.

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[27] The Helping to Enhance the Livelihood of People around the Globe (HELP) Commission Report on Foreign Assistance Reform, www.helpcommission.gov, December 2007.

[28] *New Day, New Way: U.S. Foreign Assistance for the 21st Century*, A Proposal from the Modernizing Foreign Assistance Network, June 2008.

The enablers of these principles include a sufficient organizational structure, elevation of the role of the international development function within government, coordination of programs, and the recruitment and thorough training of U.S. government civilian personnel. Additionally, the use of the military for development functions should only be used in exceptional circumstances. More reliance needs to be made upon the civilian workforce in international development.[29]

Anne C. Richard, Vice President for Government Relations and Advocacy at the International Rescue Committee, recently authored an article with Paul Clayman that laid out a "hybrid" model for the foreign assistance bureaucracy. It consists of four elements. First, they argued for a National Security Council (NSC) Directorate for International Programs that would improve government-wide coordination and represent the views of agencies involved in foreign assistance at White House meetings. Second, they continue to desire a strengthened USAID that would be supported by more staff and participate at NSC Deputies' Committee meetings. Third, the State Department would retain the F Bureau for centralized coordinating, develop a second Deputy Secretary of State for Foreign Operations, and assign Deputy Assistant Secretaries to each of the geographic bureaus to serve as the regional foreign assistance coordinators. And fourth, they urged the creation of a foreign operations board that would meet on a regular basis to discuss trends and initiatives related to foreign assistance.[30]

Dr. Gordon Adams, a Distinguished Fellow at the Stimson Center, argued that foreign assistance, alongside diplomacy and the military, is one of the main tools the U.S. has to carry out its national security strategies. He believes a focus on the creation of a new Cabinet-level department would ultimately be counterproductive. He argued that the F Process better linked foreign assistance design and implementation, especially at the State Department and USAID, with national interests. The creation of a new department could weaken this powerful working relationship, create a department that is maintained at a minimal funding level as it becomes more marginalized from U.S. foreign policy objectives, and could become a department that has so many competing interests that it becomes unfocused.[31]

Craig Cohen and Noam Unger, from The Stanley Foundation, argued that civilian capacity building needs to be a priority in the development function of government. They identified the most serious problem as a lack of government civilians with the necessary training and expertise. They recommended building a personnel training "float" which would mean that civilians would have more time for training outside their normal duties. Also, they suggested a rotation system to help government civilians develop a broader view of other government agencies and functions. Among the main gaps and challenges related to the management aspects of foreign assistance, they listed: development of a grand strategy to guide programs and government actions; building consensus that development is at the core of U.S. security; coordination among

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[29] *Why the U.S. Needs a Cabinet-level Department for Global and Human Development,* InterAction Policy Paper, June 2008. Accessed July 7, 2008 from www.interaction.org.

[30] Anne C. Richard and Paul Clayman, *Improving US National Security: Options for Strengthening US Foreign Operations,* June 2008.

[31] Gordon Adams, *Getting U.S. foreign assistance right,* Bulletin of the Atomic Scientists, May 2, 2008. Accessed July 11, 2008 at http://www.thebulletin.org.

the many agencies involved; working with other like-minded governments to leverage resources; building greater government civilian integration; reviewing the role of contractors; and the development of measureable goals.[32]

Both of the Senate Foreign Relations Committee Minority reports cited previously in this memo provided a number of recommendations. In terms of grappling with the apparent increase in militarization, Committee staff recommended that: the Secretary of State should have direct authority over all security assistance, military members work with staff from the Office of the Director of Foreign Assistance to ensure the best mix of aid to address the terrorist threat, and, in general, civilian capacity in the area of foreign assistance be increased.[33] In their later report, recommendations to improve aid across the government included the development of a national foreign assistance strategy, making the DFA a Senate-confirmed position, increasing the DFA's oversight over all government foreign aid programs, and making the position of Administrator of USAID separate and distinct from the DFA.[34]

[32] Craig Cohen and Noam Unger, *Surveying the Civilian Reform Landscape,* The Stanley Foundation Project Brief, 2008.
[33] *Embassies as Command Posts in the Anti-Terror Campaign,* December 15, 2006.
[34] *Embassies Grapple to Guide Foreign Aid,* November 16, 2007.

U.S. Global Leadership Campaign (Washington, D.C.)
As Delivered by Secretary of Defense Robert M. Gates, Washington, D.C. , Tuesday, July 15, 2008

Thank you very much for the introductions.

Thank you Condi Rice for the kind words, and above all, for your principled and visionary leadership of the Department of State.

One of the reasons I have rarely been invited to lecture in political science departments – including at Texas A&M – is because faculty correctly suspect that I would tell the students that what their textbooks say about government does not describe the reality I have experienced in working for seven presidents. Organization charts, institutions, statistics, structures, regulations, policies, committees, and all the rest – the bureaucracy, if you will – are the necessary pre-condition for effective government. But whether or not it really works depends upon the people and their relationships. For significant periods since I entered government 42 years ago, the Secretary of State and Secretary of Defense were not on speaking terms. The fact that Condi and I actually get along means that our respective bureaucracies understand that trying to provoke us to fight with one another is not career-enhancing. Such efforts still occur, of course. After all, this is Washington. But the bureaucratic battles are a good deal more covert.

Of course, the human side of government is always a source of both humor and embarrassment. Will Rogers once said, "I don't make jokes. I just watch the government and report the facts." And the conduct of diplomacy, where – as Secretary Rice can attest – protocol and propriety are so very important, provides an especially fertile ground for amusement.

For example, there was the time that President Nixon met with Israeli Prime Minister Golda Meir, shortly after Nixon had appointed Henry Kissinger as Secretary of State. With Golda Meir in that meeting was her very erudite foreign minister, Abba Eban, a graduate of Cambridge. At one point in the meeting, Nixon turned to Golda Meir and said, "Just think, we now both have Jewish foreign ministers." And without missing a beat Golda Meir said, "Yes, but mine speaks English."

Then there was the time that President Nixon visited Italy and had a meeting with the Pope. Kissinger and Nixon had along with them Secretary of Defense Mel Laird, but they decided that Laird as, in effect, secretary of war shouldn't be invited to meeting with the Pope. So, Nixon the next morning went in for his private audience with the Pope, and the other Americans waited outside for the general audience. And who should come striding down the hall of the papal apartments but Mel Laird smoking an enormous cigar, he had decided he wanted in on the meeting. Kissinger was beside himself, but finally said, "Well, Mel, at least extinguish the cigar." And so Laird stubbed out his cigar and put it in his pocket.

The rest of the American party a few minutes later went in to their meeting with the Pope, everyone took a seat. A couple of minutes into the Pope's remarks, Kissinger heard this little patting sound going on, he was in the second row with Laird on the end, there was a wisp of smoke coming out of Laird's pocket. Everything seemed under control. A couple of minutes later, Kissinger heard this loud slapping noise. He looked over smoke was billowing out of Laird's pocket. The Secretary of Defense was on fire. Now the rest of the delegation heard this slapping noise, and they thought they were being cued to applaud the Pope. And so they did. And Henry later told us, "God only knows what his Holiness thought, seeing the American secretary of defense immolating himself, and the entire American party applauding the fact."

I am honored to receive this award, and I consider it a privilege to be associated with the United States Global Leadership Campaign. It is a truly remarkable collection of "strange bedfellows" – from Save the Children to Caterpillar, from Catholic Relief Services to AIPAC, and even Boeing and Northrop Grumman. This organization has been a prescient, and often lonely, advocate for the importance of diplomacy and international development to America's vital national interests – and I commend you for that.

Though my views on these subjects have become better known through recent speeches, in many ways they originated and were reinforced by my prior experience in government during the Cold War. Looking back, it is clear that the strength of America's military forces and intelligence capabilities – along with the willingness to use them – held the Soviets at bay for more than four decades. But there was another side to that story and to that struggle. There was the Agency for International Development overseeing development and humanitarian assistance programs that improved – if not saved – the lives of millions of people from disease, starvation, and poverty. Our diplomats forged relationships and bonds of trust, and built up reservoirs of expertise and goodwill that proved invaluable over time. Countless people in foreign countries wandered into a United States Information Agency library, or heard from a visiting speaker and had their opinions about America transformed by learning about our history and culture and values. Others behind the Iron Curtain were inspired to resist by what they heard on Radio Free Europe and the Voice of America.

In all, these non-military efforts – these tools of persuasion and inspiration – were indispensable to the outcome of the defining ideological struggle of the 20th century. I believe that they are just as indispensable in the 21st century – and maybe more so.

Just last month I approved a new National Defense Strategy that calls upon us to "Tap the full

strength of America and its people" – military and civilian, public and private – to deal with the challenges to our freedom, prosperity, and security around the globe.

In the campaign against terrorist networks and other extremists, we know that direct military force will continue to have a role. But over the long term, we cannot kill or capture our way to victory. What the Pentagon calls "kinetic" operations should be subordinate to measures to promote participation in government, economic programs to spur development, and efforts to address the grievances that often lie at the heart of insurgencies and among the discontented from which the terrorists recruit. It will take the patient accumulation of quiet successes over time to discredit and defeat extremist movements and their ideology.

We also know that over the next 20 years and more certain pressures – population, resource, energy, climate, economic, and environmental – could combine with rapid cultural, social, and technological change to produce new sources of deprivation, rage, and instability. We face now, and will inevitably face in the future, rising powers discontented with the international status quo, possessing new wealth and ambition, and seeking new and more powerful weapons. But, overall, looking ahead, I believe the most persistent and potentially dangerous threats will come less from ambitious states, than failing ones that cannot meet the basic needs – much less the aspirations – of their people.

In my travels to foreign capitals, I have been struck by the eagerness of so many foreign governments to forge closer diplomatic and security ties with the United States – ranging from old enemies like Vietnam to new partners like India. Nonetheless, regard for the United States is low among the populations of many key nations – especially those of our moderate Muslim allies.

This is important because much of our national security strategy depends upon securing the cooperation of other nations, which will depend heavily on the extent to which our efforts abroad are viewed as legitimate by their publics. The solution is not to be found in some slick PR campaign or by trying to out-propagandize al-Qaeda, but rather through the steady accumulation of actions and results that build trust and credibility over time.

To do all these things, to truly harness the "full strength of America," as I said in the National Defense Strategy, requires having civilian institutions of diplomacy and development that are adequately staffed and properly funded. Due to the leadership of Secretary Rice and before her Secretary Powell, and with the continuing strong support of the President, we have made significant progress towards pulling ourselves out of the hole created not only by the steep cutbacks in the wake of the Cold War – but also by the lack of adequate resources for the State Department and the entire foreign affairs account going back decades.

Since 2001, international affairs spending has about doubled, State has begun hiring again, billions have been spent to fight AIDS and malaria in Africa, the Millennium Challenge Corporation is rewarding better governance in the developing world, and Secretary Rice has launched a program of transformational diplomacy to better posture the diplomatic corps for the realities of this century. The President's budget request this year, as Condi said, includes more than 1,100 new Foreign Service officers, as well as a response corps of civilian experts that can deploy on short notice. And, for the first time in a long time, I sense real bipartisan support in Congress for strengthening the civilian foreign affairs budget.

Shortfalls nonetheless remain. Much of the total increase in the international affairs budget has been taken up by security costs and offset by the declining dollar, leaving little left over for core diplomatic operations. These programs are not well understood or appreciated by the wider American public, and do not have a ready-made political constituency that major weapons systems or public works projects enjoy. As a result, the slashing of the President's international affairs budget request has too often become an annual Washington ritual – right up there with the blooming of the cherry blossoms and the Redskin's opening game.

As someone who once led an agency with a thin domestic constituency, I am familiar with this dilemma. Since arriving at the Pentagon I've discovered a markedly different budget dynamic – not just in scale but the reception one gets on the Hill. Congress often asks the military services for lists of things that they need, but that the Defense Secretary and the President were too stingy to request. As you can imagine, this is one congressional tasking that prompts an immediate and enthusiastic response.

It has become clear that America's civilian institutions of diplomacy and development have been chronically undermanned and underfunded for far too long – relative to what we spend on the military, and more important, relative to the responsibilities and challenges our nation has around the world. I cannot pretend to know the right dollar amount – I know it's a good deal more than the one percent of the federal budget that it is right now. But the budgets we are talking about are relatively small compared to the rest of government, a steep increase of these capabilities is well within reach – as long as there is the political will and wisdom to do it.

But even as we agree that more resources are needed, I believe that there is more to this problem than how much money is in the 150 Account. The challenge we face is how best to integrate these tools of statecraft with the military, international partners, and the private sector.

Where our government has been able to bring America's civilian and the military assets together to support local partners, there have been incredibly promising results. One unheralded example, one you will

not read about in the newspapers, is in the Philippines. There the U.S. Ambassador – Kristie Kenney – has overseen a campaign involving multiple agencies working closely together with their Philippine counterparts in a synchronized effort that has delegitimized and rolled back extremists in Mindanao. Having a strong, well-supported chief of mission has been crucial to success.

The vastly larger, more complex international effort in Afghanistan presents a different set of challenges. There are dozens of nations, hundreds of NGOs, universities, development banks, the United Nations, the European Union, NATO – all working to help a nation beset by crushing poverty, a bumper opium crop, and a ruthless and resilient insurgency. Getting all these different elements to coordinate operations and share best practices has been a colossal – and often all too often unsuccessful – undertaking. The appointment this spring of a UN special representative to coordinate civilian reconstruction in Afghanistan is an important step forward. And at the last NATO defense ministerial, I proposed a civilian-military planning cell for Regional Command South to bring unity to our efforts in that critically important part of the country. And I asked Kai Eide, when I met with him last week, to appoint a representative to participate in this cell.

Repeating an Afghanistan or an Iraq – forced regime change followed by nation-building under fire – probably is unlikely in the foreseeable future. What is likely though, even a certainty, is the need to work with and through local governments to avoid the next insurgency, to rescue the next failing state, or to head off the next humanitarian disaster.

Correspondingly, the overall posture and thinking of the United States armed forces has shifted – away from solely focusing on direct American military action, and towards new capabilities to shape the security environment in ways that obviate the need for military intervention in the future. This approach forms the basis of our near-term planning and influences the way we develop capabilities for the future. This perspective also informed the creation of Africa Command, with its unique interagency structure, a deputy commander who is an ambassador not a general, as well as Southern Command's new orientation and priorities in Latin America.

Overall, even outside Iraq and Afghanistan, the United States military has become more involved in a range of activities that in the past were perceived to be the exclusive province of civilian agencies and organizations. This has led to concern among many organizations – perhaps including many represented here tonight – about what's seen as a creeping "militarization" of some aspects of America's foreign policy.

This is not an entirely unreasonable sentiment. As a career CIA officer I watched with some dismay the increasing dominance of the defense 800 pound gorilla in the intelligence arena over the years. But that scenario can be avoided if – as is the case with the intelligence community today – there is the right leadership, adequate funding of civilian agencies, effective coordination on the ground, and a clear understanding of the authorities, roles, and understandings of military versus civilian efforts, and how they fit, or in some cases don't fit, together.

We know that at least in the early phases of any conflict, contingency, or natural disaster, the U.S. military – as has been the case throughout our history – will be responsible for security, reconstruction, and providing basic sustenance and public services. I make it a point to reinforce this message before military audiences, to ensure that the lessons learned and re-learned in recent years are not forgotten or again pushed to the margins. Building the security capacity of other nations through training and equipping programs has emerged as a core and enduring military requirement, though none of these programs go forward without the approval of the Secretary of State.

In recent years the lines separating war, peace, diplomacy, and development have become more blurred, and no longer fit the neat organizational charts of the 20th century. All the various elements and stakeholders working in the international arena – military and civilian, government and private – have learned to stretch outside their comfort zone to work together and achieve results.

For example, many humanitarian and international organizations have long prided themselves on not taking sides and avoiding any association with the military. But as we've seen in the vicious attacks on Doctors Without Borders in Afghanistan, and the U.N. Mission in Iraq, violent extremists care little about these distinctions.

To provide clearer rules of the road for our efforts, the Defense Department and "InterAction" – the umbrella organization for many U.S.-based NGOs – have, for the first time, jointly developed guidelines for how the military and NGOs should relate to one another in a hostile environment. The Pentagon has also refined its guidance for humanitarian assistance to ensure that military projects are aligned with wider U.S. foreign policy objectives and do not duplicate or replace the work of civilian organizations.

Broadly speaking, when it comes to America's engagement with the rest of the world, you probably don't here this often from a Secretary of Defense , it is important that the military is – and is clearly seen to be – in a supporting role to civilian agencies. Our diplomatic leaders – be they in ambassadors' suites or on the seventh floor of the State Department – must have the resources and political support needed to fully exercise their statutory responsibilities in leading American foreign policy.

The challenge facing our institutions is to adapt to new realities while preserving those core competencies and institutional traits that have made them so successful in the past. The Foreign Service is

not the Foreign Legion, and the United States military should never be mistaken for the Peace Corps with guns. We will always need professional Foreign Service officers to conduct diplomacy in all its dimensions, to master local customs and culture, to negotiate treaties, and advance American interests and strengthen our international partnerships. And unless the fundamental nature of humankind and of nations radically changes, the need – and will to use – the full range of military capabilities to deter, and if necessary defeat, aggression from hostile states and forces will remain.

In closing, I am convinced, irrespective of what is reported in global opinion surveys, or recounted in the latest speculation about American decline, that around the world, men and women seeking freedom from despotism, want, and fear will continue to look to the United States for leadership.

As a nation, we have, over the last two centuries, made our share of mistakes. From time to time, we have strayed from our values; on occasion, we have become arrogant in our dealings with other countries. But we have always corrected our course. And that is why today, as throughout our history, this country remains the world's most powerful force for good – the ultimate protector of what Vaclav Havel once called "civilization's thin veneer." A nation Abraham Lincoln described as mankind's "last, best hope."

For any given cause or crisis, if America does not lead, then more often than not, what needs to be done simply won't get done. In the final analysis, our global responsibilities are not a burden on the people or on the soul of this nation. They are, rather, a blessing.

Thank you for this award and I salute you for all that you do – for America, and for humanity.

Responsibility without Authority

An Organizational Perspective of U.S. Foreign Assistance Contributors

F Bureau Controls these State Department Funds

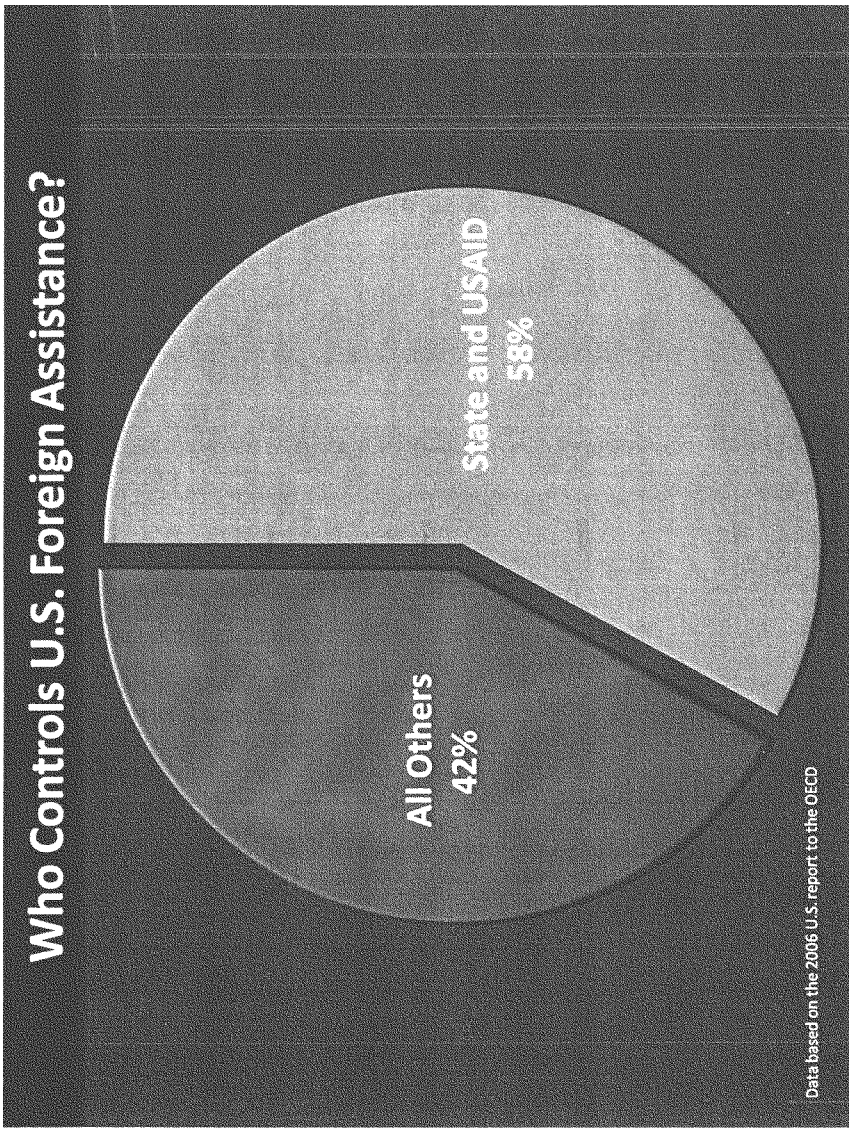
All USAID accounts
Economic Support Fund
Support for East European Democracy
Freedom Support Act
Narcotics (INL) & ACI
Migration & Refugee Assistance
Nonproliferation (NADR)
International Military Education and Training
Peacekeeping Operations
Foreign Military Financing

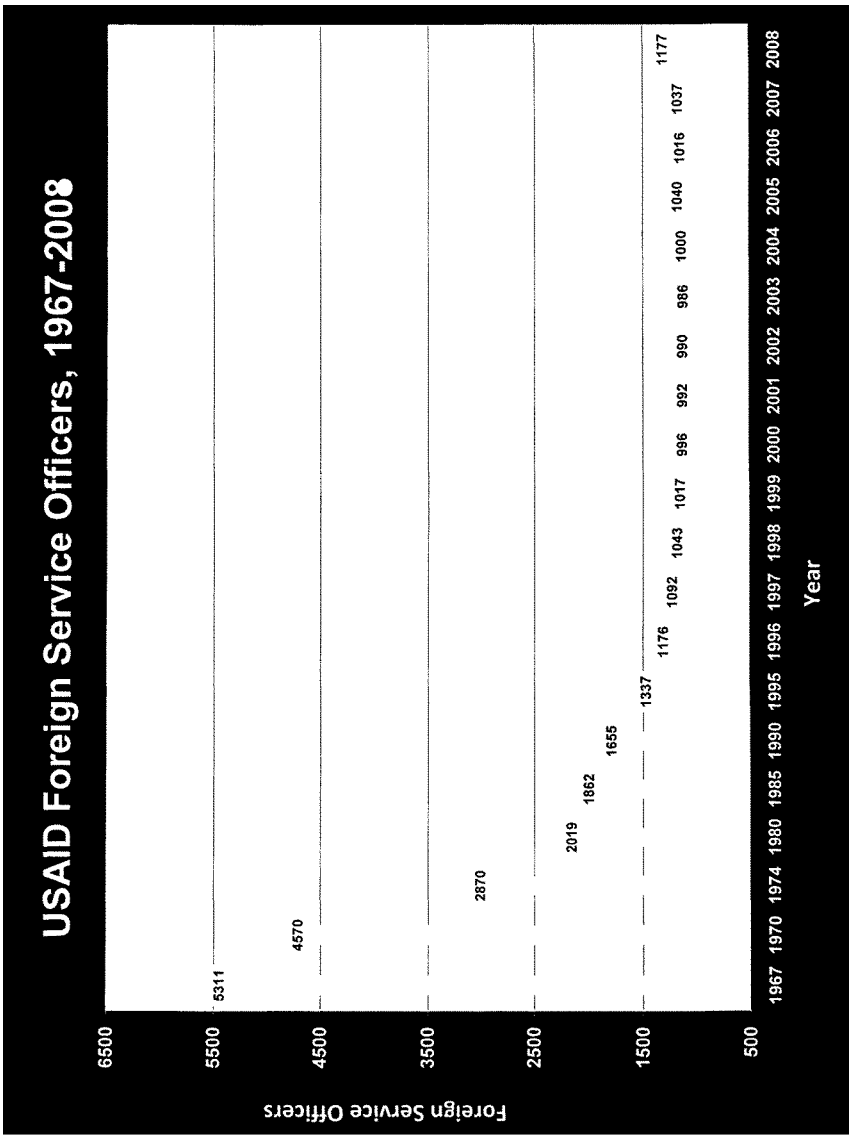
F Bureau DOES NOT CONTROL these Funds

Millennium Challenge Corporation
PEPFAR
Peace Corps
Inter-American Foundation
African Development Foundation
Trade and Development Agency
Export-Import Bank
Overseas Private Investment Corporation
U.S. Institute of Peace

Other Departments
Department of Agriculture
Department of Defense
Department of Commerce
Department of Energy
Department of Health and Human Service
Department of the Interior
Department of Justice
Department of Labor
Department of Treasury

Other Agencies
Environmental Protection Agency
National Science Foundation
Centers for Disease Control
National Institute of Standards and Technology
U.S. Patent and Trademark Office
National Oceanic and Atmospheric Association
U.S. Fish and Wildlife Service
U.S. Forest Servic


Who Controls U.S. Foreign Assistance?
All Others
42%
State and USAID
58%
Data based on the 2006 U.S. report to the OECD


USAID Foreign Service Officers, 1967-2008
Foreign Service Officers
6500
5500
4500
3500
2500
1500
500
5311
4570
2870
2019
1862
1655
1337
1176
1092
1043
1017
996
992
990
986
1000
1040
1016
1037
1177
1967 1970 1974 1980 1985 1990 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008
Year

working paper

The Roots of the United States' Deteriorating Civilian Capacity and Potential Remedies

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Improving US National Security:
Options for Strengthening US Foreign Operations

by Anne C. Richard and Paul Clayman

Anne C. Richard is Vice President for Government Relations and Advocacy for the International Rescue Committee (IRC), leading the organization's relations with the executive branch, Congress and the NGO community. Ms. Richard was Director of the Secretary of State's Office of Resources, Plans and Policy from 1999-2001, serving as Secretary Albright's top adviser for budget and planning. She previously had served in the Office of Management and Budget, Department of State and at Peace Corps headquarters.

Paul Clayman is a senior vice president at APCO Worldwide, advising clients on international economic, business and communications affairs. Mr. Clayman was an attorney for 15 years with the U.S. Department of State, after which he spent five years as Chief Counsel to Senator Richard Lugar, Chairman and later Ranking Member of the Senate Committee on Foreign Relations. At the State Department, Mr. Clayman worked in the Office of the Legal Adviser on legal matters pertaining to the operation of the Department.

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New Consensus on Reform and Reinforcement of US Foreign Operations[1] H1

A number of factors are driving a significant reappraisal of how the US government engages with the rest of the world. In Afghanistan and Iraq, US-led military operations confront instability and systemic weaknesses, and US civilian agencies struggle to address this dynamic. This situation has cast a harsh spotlight on a policy over recent decades to invest heavily in building the world's largest and most technologically-advanced military without a concomitant investment in other tools, such as diplomacy and foreign assistance.

This disparity, and the need for a remedy, were identified years ago, but recent events have shown how crippling this choice has been to the conduct of US foreign policy.

A growing number of Members of Congress, government officials, think tank analysts, and aid agency leaders are interested in these issues and want to prompt a change in the US approach. Think tanks are devoting increased attention to the US national security infrastructure and examining options for changing and strengthening US civilian agencies. Indeed, at least 40 reports have been issued in recent years with recommended improvements in US foreign assistance or the conduct of US foreign relations (a companion paper to this one by Craig Cohen and Noam Unger examines many of them). To cite a few notable examples, Congressman Frank Wolf (R-VA) pressed for the creation of a HELP Commission on foreign-assistance reform whose report, "Beyond Assistance," has contributed to the foreign aid debate.[2] Several other reports, such as the Smart Power Commission's report, have drawn significant notice from the press and Congress.[3]

In addition, senior defense officials – notably Secretary of Defense Gates and groups of retired Generals and Admirals – have echoed the urgent need to equip the civilian agencies with enhanced staff and resources. Gates identified several international programs, including "economic development, institution building and the rule of law, promoting internal reconciliation, good governance, providing basic services to the people, training and equipping indigenous military and police forces, [and] strategic communications," as essential ingredients for long term success in Iraq and Afghanistan.[4] The wars in Iraq and Afghanistan have thus highlighted the importance of civilian agencies to reconstruction and stabilization efforts. Because the civilian agencies receive limited resources in these areas, however, the Defense Department now runs an increasing share of the foreign aid program. A number of studies have wrestled with ways to improve US programs for reconstruction and stability operations—functions

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[1] The term "foreign assistance" refers to US government programs to provide grants, loans, and loan forgiveness to benefit citizens of other countries or their governments. The term "foreign operations" is used here to mean all foreign aid programs as well as the Peace Corps and other diplomatic programs, such as public diplomacy programs, exchanges, support to UN peacekeeping efforts, and participation in diplomatic negotiations or conferences.

[2] "Beyond Assistance", HELP Commission, December 2007, http://www.helpcommission.gov/portals/0/Beyond%20Assistance_HELP_Commission_Report.pdf

[3] Richard L. Armitage and Joseph S. Nye, Jr., co-chairs, "CSIS Commission on Smart Power: A Smarter, More Secure America", Center for Strategic and International Studies, 2007

[4] Secretary of Defense Robert M. Gates, Landon Lecture, Kansas State University, Manhattan, Kansas, November 26, 2007, http://www.defenselink.mil/speeches/speech.aspx?speechid=1199

traditionally led by civilian experts and funded in the international affairs budget. And these post-conflict functions are, of course, merely one of many modes in which the United States relates to others around the world.

Most promising of all, the need to renovate and reinvigorate US foreign operations has been highlighted by the campaigns of the leading candidates for President, although none of them has laid out a well-developed plan to do so. This essay will build upon this nascent campaign debate to identify the top policy options for the next Administration and evaluate how difficult the various proposals would be to implement. Indeed, there are far more options being discussed than can be sensibly implemented and some are mutually exclusive. We will evaluate the likelihood of implementing the major options, and narrow our discussion in this brief essay to those options we believe would be important to consider early in an Administration.

Because US foreign assistance programs have been so prominent in the debate, we will focus on two main options for reinvigorating the foreign assistance apparatus that have emerged. One is the call for a new cabinet-level agency for development, and the other is a recommendation to use the State Department's current "F process" as a basis for improving coordination across agencies that deliver assistance. This paper will analyze the strengths and weaknesses of each idea. In the end, we recommend a "hybrid model" that combines the best aspects of both without creating major new departments and with some consolidation of development agencies. The hybrid model also would equip key personnel with the responsibility and capacity to coordinate, plan and oversee international programs. These officials would be well situated to evaluate further options for improving US foreign operations and make recommendations. In other words, these steps would be viewed as precursors and groundwork for further action. Unlike many other options, this hybrid model would not require new legislation, which means it could be implemented rather quickly. Even so, we strongly support extensive congressional consultations, which are a key element of any effort to reform foreign assistance.

Given how the next administration's policy agenda will inevitably be shaped by the current political campaign, it is worth reviewing the foreign policy goals and positions on which the top contenders campaigned (at least up to the spring of 2008).[5]

Global Engagement With A Purpose H1

Since the government's international affairs agencies are instruments through which the United States pursues its interests and aims, they must be guided by clear objectives. What is America's national security strategy for global engagement? What is the best mix of US presence and programs abroad to project American values and protect national interests? This paper does not propose a new national security strategy, but a new Administration must articulate one, and provide a coherent vision of priorities for

[5] Most of this paper was drafted before Senator Clinton ended her campaign. Her proposals are included because they were fairly extensive, have a profile that puts them higher on the agenda than others in policy circles, and aspects could end up being considered by the future President.

US foreign policy. A clue to what strategy the next president might embrace can be found in the statements the candidates made as they sought the office.

A coherent strategy does not necessarily mean condensing US national security priorities, goals and objectives into a simple catchphrase. US national interests are broad and varied, so it is no surprise that a Brookings study identified some fifty objectives for US aid.[6] To some, the large number of objectives and international affairs budget accounts are evidence of confusion and poor coordination. The United States has relations with—and Americans have interests in—nearly every country on the globe. US government engagement with the rest of the world naturally will be multi-faceted and complex. It is indeed important to have priorities, but narrowing the list to too few objectives may result in neglect of key foreign policy objectives that are important to American society and its interests.

Even so, it is hard to deny that all of this complexity makes it difficult to convey foreign policy goals and budgets to senior officials, the media and the public—and to justify all of it to Congress.

Yet the emerging consensus among policy analysts on the need to improve the conduct of US foreign policy is shared to a striking degree by the three Senators who emerged as the top candidates for the Presidency in spring 2008: Republican Senator John McCain and Democratic Senators Barack Obama, and Hillary Clinton. All of the main candidates for the Presidency in 2008 have spoken similarly about the need for changes in US national security and foreign policy.

Even a cursory review of diplomatic and development priorities endorsed by all three of them shows how much diplomatic heavy lifting will need to be done regardless of who is elected. (Of course the policy areas in which the candidates differ, such as Iraq, will place their own demands on the system.)

1) Reviewing foreign assistance in order to find a more effective and coordinated way of engaging with other countries. Senator McCain called for a civilian follow-on to the 1986 Goldwater-Nichols Act in order to ensure that civilian and military agencies work better together.
2) More diplomatic engagement with other countries to reverse the recent over-reliance on military power.
3) Unwavering support for Israel's right to exist, to defend itself and for greater efforts to bring peace to the Middle East. (They differ in their rhetoric on how to deal with Iran.)
4) Strengthened ability to rebuild war-torn societies. Senator McCain focuses on energizing and expanding post conflict reconstruction capabilities of civilian agencies and Senator Obama would invest in the US civilian capacity to operate alongside the US military in post-conflict zones and on humanitarian and stabilization missions, while Senator Clinton called for an "interconnected strategy that takes into account political, economic, diplomatic and military concerns."

[6] Lael Brainerd, Editor, Security by Other Means, Brookings Institution Press, 2007, annex B, pp. 343-344.

5) Continuation and expansion of President Bush's programs to fight HIV/AIDS overseas. Senators Clinton and Obama would commit $50 billion to the program ($10 billion per year for five years to 2013). Senator Clinton would train 1 million health workers in Africa. Senator Obama would increase US contributions to the Global Fund to fight HIV/AIDS, TB and Malaria.
6) Engagement with Africa on a broader agenda, not just responding to humanitarian crises. The three candidates went so far as to issue a joint statement on the Darfur crisis. All three presidential candidates also bemoan the neglect of relations with Latin America.
7) Responding to climate change with serious action – such as a cap and trade system for carbon emissions- and re-engaging internationally on the issue. Senator Obama would create a new Global Energy Forum comprised of the world's largest greenhouse gas emitters, and this would in turn create a Global Energy and Environment (GEE) Initiative to engage developing countries. Senator Clinton calls for formal links between the International Energy Agency and China and India and creating an "E-8" international forum modeled on the G-8. This group would be comprised of the world's major carbon-emitting nations and hold an annual summit devoted to international ecological and resource issues.
8) An improved effort in conducting public diplomacy. Sen. McCain is on record for re-establishing USIA and Senator Obama would like to see a new American Voices Corps.
9) Greater US use of multilateral organizations.[7]

Several of these shared policies (1, 4, 5, 6 and 7) touch on US policies and programs for international development and all of them would require resources from the international affairs budget.

Both Democratic Senators would like the US to do a better job coordinating our aid with contributions made by other major donor governments. Each also pledged to consider the creation of a Department for Development—although both stop short of a definite commitment.

Senator Clinton would "spend an additional 1%" of the US Federal budget on aid programs (essentially doubling it) and Senator Obama pledges to double the size of the foreign aid budget and double the size of the Peace Corps – slightly different ways of articulating the need to greatly expand existing resources. They do not specify how the money would be allocated among existing programs.

[7] All three candidates propose greater US use of multilateral organizations, but have slightly different approaches. The Democratic candidates have called for reforming and making greater use of existing multilateral mechanisms. Senator Clinton would like to see the International Labor Organization used as a tool for enforcing labor standards. Senator Obama wants to see changes in the governance of the World Bank and IMF. Senator McCain, on the other hand, would build a new organization of democracies, called the League of Democracies. The idea of a Community/Concert/League of Democracies has a history that pre-dates the McCain campaign and has been supported by Democrats and Republicans alike. See Jackson Diehl, "A 'League' by Other Names", Washington Post, May 18, 2008, p.A17, http://www.washingtonpost.com/wp-dyn/content/article/2008/05/18/AR2008051801909.html and follow-up letter to the editor by Richard Rowson, President of the Council for a Community of Democracies, May 24, 2008 at http://www.washingtonpost.com/wp-dyn/content/article/2008/05/23/AR2008052302586.html

Some donor countries use the Millennium Development Goals as the organizing principle for their development aid programs, and Senator Clinton and Obama affirmed their support for the goals, with Senator Obama pledging to adopt the entire set as America's goals. In adopting the goals in 2000, world leaders pledged to: (1) eradicate extreme poverty & hunger; (2) achieve universal primary education; (3) promote gender equality and empower women; (4) reduce child mortality; (5) improve maternal health; (6) combat HIV/AIDS and other diseases; (7) ensure environmental sustainability; and (8) build a global partnership among major aid donors for development. While some in Congress have distanced themselves from an approach they view as multilateral and UN-driven, on their merits the eight are ambitious and worthy and highlight a number of problems on which the United States already is a leader.

Beyond the broad pledges and statements outlined above, the candidates do not go into finer detail on their proposals. What is clear, though, is that all of the leading Presidential candidates see the need to use civilian agency talents and resources to help bring about peaceful resolutions to conflicts and to re-establish America's engagement with and standing in the world. (See also Annex III, a detailed chart quoting and comparing statements of the Candidates.)

Initiatives During the Bush Administration H1

The terrorist attacks of September 11, 2001 set off sweeping changes in the US government, including creation of the Department of Homeland Security and passage of the USA Patriot Act. The initial impact on US Foreign Operations was exactly as could be expected—heightened security at Embassies and increased aid to allies in "the war on terror." The US-led invasion of Afghanistan and, later, Iraq also required increased programs to reconstruct the countries.

The first real innovation by President Bush was his announcement of a new Millennium Challenge Account in March 2002 before the UN Summit on Financing for Development in Monterrey. To manage this fund, a new agency, the Millennium Challenge Corporation, was created. It was received with mixed reviews: supporters were excited by the President's commitment to the principle that development is best carried out by countries that adopt political and economic reforms and invest in their own citizens. Supporters of USAID, on the other hand, were dismayed that the new aid program was set up as a separate agency. The Administrator of USAID had to fight for a seat on the MCC's governing board and was no longer the unrivaled voice of US development policy in meetings with international counterparts. Other development organizations and advocates accepted and even supported the new MCC on the understanding that any resources devoted to it would be additional to—and not at the expense of – existing development programs. Some in Congress moved quickly to authorize the new organization; others were critics, and complained that the new agency was slow to get organized and to enter into agreements with developing countries called "compacts."

As of spring 2008, 16 countries have been awarded $5.5 billion in compacts and another 18 have benefited from $400 million through a newer MCC program to help "threshold countries" get to the point where they would qualify for compacts. Its commitments to existing partner countries means that its programs will need to continue into the next administration. Whether the MCC should remain a free-standing entity, though, is a valid question, especially since it relies greatly on USAID for administrative support and help overseas.

President Bush introduced two other signature aid initiatives during his term—the President's Emergency Plan for Aids Relief (PEPFAR) and the President's Malaria Initiative (PMI)—which taken together have changed the way the US engages in Africa. Today most of the aid money to Africa is to fight HIV/AIDS.

When aid for reconstruction in Afghanistan and Iraq are added to increases in aid to allies in the war on terrorism and Presidential initiatives to spur economic growth and fight disease, it is clear that the Bush Administration added major increases to US foreign aid levels. The growth in the foreign aid budget has amounted to 55% (in constant dollars) since the end of the Clinton Administration and is likely to end up as a 64% total increase before the end of fiscal year 2008.[8]

While President Bush's initiatives have been generally well received, non-governmental organizations that implement aid programs have been distressed with the uneven manner in which the aid was distributed—with large aid projects in some countries, while the needs of vulnerable people that do not fit easily within the initiatives go unaddressed. There is also widespread concern that US foreign assistance is spread across too many budget accounts and carried out through too many agencies and departments with inadequate coordination.

An example of a less successful aid initiative was the new State Department Office of the Coordinator for Reconstruction and Stabilization (S/CRS), which was created in 2004 to strengthen U.S. Government civilian capability to manage stabilization and reconstruction efforts in conflict-ridden countries (and prevent conflict where possible). Congress authorized the reprogramming of funds to create S/CRS, but did not appropriate adequate resources to run the office. Funds for salaries were scraped together, detailees were reassigned from other offices, and program money for S/CRS ended up being authorized in the Defense Department's budget. Section 1207 of the Defense Authorization Act allowed S/CRS to tap DOD resources for its work ($5 million in FY 2006 and $99.5 million in FY 2007). The Combatants' Emergency Response Program (CERP) was also set up to give the regional military Combatant Commanders funds to use for quick-impact projects in the field.

None of this augured well for a robust civilian capacity, and the senior Pentagon leadership came to realize that if the civilian agencies were not able to meet stabilization

[8] Thanks to Larry Nowels for providing this data.

and reconstruction needs, the military would have to be prepared to compensate.[9] DoD's growing funding of and influence over foreign aid programs is opposed by many at the State Department and those in Congress with responsibility for State, USAID and other foreign aid programs. Many aid agency partners are also uncomfortable with the growing militarization of US foreign assistance and few aid agencies are willing to accept DoD funds directly.

In 2006, Secretary of State Rice launched a project entitled "Transformational Diplomacy" in a speech at Georgetown University.[10] Rice defined the objective of transformational diplomacy as "to work with our many partners around the world, to build and sustain democratic, well-governed states that will respond to the needs of their people and conduct themselves responsibly in the international system." She laid out the need to: reposition foreign service posts from Washington and Europe to other regions, use smaller offices (American presence posts) or no office at all (virtual presence posts using the internet), embrace regional partnerships, encourage diplomats to work more closely with the military, enhance the Office of Reconstruction and Stabilization at State (including an ability to assemble and deploy civilian experts to post-conflict operations), send more diplomats into the field and especially to hardship posts, train them with new expertise (rule of law, entrepreneurship, health care delivery and education), and train record numbers of officers in difficult languages like Arabic, Chinese, Farsi and Urdu.

Her speech was followed by a series of other announcements, most immediately the appointment of then-PEPFAR head Randall Tobias to the new position of Director of Foreign Assistance, which was dual-hatted with the job of Administrator of USAID and at the same bureaucratic level of the Deputy Secretary. The impetus for this particular change reportedly came when Secretary Rice could not get a clear answer about how much democracy funding the US government spent. Tobias merged the budget staffs at USAID and State into one budget, performance planning and results monitoring organization known as the Office of the Director of Foreign Assistance, or the "F Bureau." He vowed to improve operations and to do a better job tracking aid expenditures. One of its first acts was to develop a matrix or "Strategic Framework" that assigned aid to one of five transformational diplomacy objectives: (1) Peace and Security, (2) Governing Justly and Democratically, (3) Investing in People, (4) Economic Growth and (5) Humanitarian Assistance. Aid was further allocated to countries, and every aid recipient country was assigned one of five categories:

- Rebuilding States H3— Countries in, or emerging from, and rebuilding after internal or external conflict.
- Developing States H3— Countries with low or lower-middle income, not yet meeting certain economic and political performance criteria.

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[9] This concept was included in DOD directive 3000.05, entitled "Military Support for Stability, Security, Transition, and Reconstruction (SSTR) Operations" and issued November 28, 2005. This document establishes DoD policy and assigns responsibilities within DoD for planning, training, and preparing to conduct and support stability operations.

[10] Secretary of State Condoleezza Rice, "Transformational Diplomacy", Georgetown University, Washington DC, January 18, 2006, http://www.state.gov/secretary/rm/2006/59306.htm See also description of effort by Kennon H. Nakamura and Susan B. Epstein, "Diplomacy for the 21st Century: Transformational Diplomacy", CRS Report for Congress RL 34141, Congressional Research Service, August 23, 2007, http://fas.org/sgp/crs/row/RL34141.pdf

- Transforming States H3— Countries with low or lower-middle income, meeting certain economic and political performance criteria.
- Sustaining Partnership States H3— Countries with upper-middle income or greater for which U.S. support is provided to sustain partnerships, progress, and peace.
- Restrictive States H3— Those countries where the State Department or Congress has determined that serious freedom and human rights issues are of concern.

A sixth category was added to accommodate programs that did not fit the framework and its focus on bilateral programs:

- Global or Regional Programs H3 — This category is for assistance programs that extend across country boundaries.

The attempts to apply the principles of transformational diplomacy to the development budget got off to a rocky start. Ambassador Tobias was faulted by Congress and outside groups for not sufficiently consulting with them before embarking on changes. The original matrix was changed not only to capture the regional nature of some programs but also to include alleviating poverty as an overall goal – an egregious omission to many development specialists. The time span for introducing changes was compressed to catch up to the fiscal year 2008 budget process, a process that was already underway. Personnel at Embassies and USAID missions objected to a lack of input into the new process and initial budget allocations. Tensions had already arisen between "F" and Congress when Ambassador Tobias resigned in April 2007.[11]

This combined staff has developed a truly unified budget presentation for State and USAID. Its setbacks include an exaggerated sense of the importance of the framework document itself and a failure to achieve true long-range strategic plans. Now that the end of the Administration is near, several offices (including the F bureau, the office of the Undersecretary for Management (M) and the Office of Policy Planning (S/P) are engaged in a major budget planning drill designed to produce a serious budget for State/USAID. For the first time, the policy planning office seeks a five-year strategic plan/budget to accompany the annual budget.

Also as part of the transformational diplomacy effort, a group of distinguished Americans were asked to serve as an Advisory Committee on Transformational Diplomacy. Their report, issued in January 2008, called for increasing the available financial and human resources, streamlining the organizational structure with less hierarchical decision-making to equip officials closest to a given issue with greater authority and shifting the State Department's emphasis from one of process to one of results.

Of the many outside groups that have recently looked at foreign aid, one had the distinct status of having been created by act of Congress, the bipartisan **H**elping to **E**nhance the **L**ivelihood of **P**eople around the Globe (or HELP) Commission proposed by

[11] Tobias resigned abruptly after admitting his name turned up as a patron of an escort service/prostitution ring.

Rep. Frank Wolf. This group of distinguished Americans from across the political spectrum made a number of recommendations:

- Rewrite the Foreign Assistance Act
- Do more to help developing countries build vibrant private sectors
- Create a new business model and engage new non-governmental partners
- Align America's trade and development policies
- Strengthen the management capacity of our nation's assistance agencies
- Reorganize all U.S. international affairs functions
- Determine funding from the bottom up, based on the needs and commitment of developing countries and on the national and security interests of the United States

Strengthening the US Government for International Engagement: Current Proposals H1

Given the current favorable conditions for serious action—the numerous constructive proposals from commissions, advocacy groups and think tanks, and the clear signals from the leading Presidential candidates of both major political parties—what is the best way for a new Administration to strengthen and fund the civilian institutions that carry out foreign operations? On the biggest question of organizational structure for foreign aid, most analysts seem to fall into two camps: creation of a cabinet-level Department for Development or strengthening capability within the current structure, centered on the State Department.

Cabinet-level Department for Development H2

The idea of establishing a separate, Cabinet-level Department for Development has been proposed by several leading analysts. This proposal was discussed (but not unanimously endorsed) in the reports of both the HELP Commission and the Smart Power Commission (the latter recommended "a cabinet-level voice for global development"), and has proponents at the leading think tanks and among prominent individuals, such as former USAID Administrator Brian Atwood.[12] It has been formally endorsed as a top goal by the board of Interaction, the main NGO association for more than 170 relief and development organizations as well as the Modernizing Foreign Assistance Network.[13] Such a Department would bring under one roof the existing USAID programs, PEPFAR (President's Emergency Plan to Fight AIDS), the President's Malaria Initiative, and the Millennium Challenge Corporation. Steve Radelet of the Center for Global Development also proposes to shift the Treasury office that liaises with the Multilateral Development Banks to the new department. An Interaction proposal also recommended shifting refugee programs now housed at the State Department and chiefly carried out through multilateral organizations and non-governmental organizations to a new development department.

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[12] See Brian Atwood's June 25, 2008 testimony to Congress at http://foreignaffairs.house.gov/110/atw062508.pdf

[13] See materials at www.interaction.org (http://interaction.org/library/detail.php?id=6304) and Modernizing Foreign Assistance Network, "New Day, New Way: U.S. Foreign Assistance for the 21st Century", June 10, 2008. (http://interaction.org/library/detail.php?id=6288)

The strongest arguments for a stand-alone Department for Development emphasize the need to strengthen development as a tool of US national security and foreign policy and to have a development leader present in high-level national security discussions. The Bush Administration listed development as a key third element (called the third "D") along with diplomacy and defense in its National Security Strategy, but many believe that not enough was done to strengthen this important element.

Development is a distinct professional field; its experienced technical experts are not interchangeable with international affairs generalists or diplomats. The long-term nature of economic growth and development also requires patience, commitment, and longer planning horizons. US development efforts face additional challenges associated with USAID's organizational handicaps – having been weakened by years of dwindling operating budgets, frequently shifting priorities and earmarks, too few staff overseeing too many contractors, and a cohort of senior professionals that are retiring en masse. Too much of the agency's energy went to fending off absorption by State in the mid-1990s and more recently to abrupt changes resulting from the "F" process. According to Brookings Vice President, Lael Brainard, "a new, empowered department of global development...[would come closest] to achieving key principles of aid effectiveness. Only a new cabinet agency will be able to boost the stature and morale of the development mission and attract the next generation of top talent within the US government."[14] Advocates see development as a specialized area that should not be second-guessed by people who are not experts. Another point in support of this idea is the successful precedent of the UK's Department for International Development (DFID), which is widely recognized as one of the best development agencies of the major donor governments.

Strengthen Foreign Assistance Coordination through State/USAID Reform H2

On the other side of the argument, House Foreign Operations Subcommittee Chair Nita Lowey recently expressed reservations about refashioning USAID into a new cabinet-level agency—believing that such an effort would detract from badly needed coordination and restructuring US foreign assistance programs. Similarly, Peter McPherson, former Administrator of USAID, recently testified in opposition to the idea.[15]

Professor Gordon Adams, the former senior OMB official for both defense and international affairs budgets, argues that creating an additional cabinet department would further divide the civilian toolkit in two counterproductive ways.[16] It would split the foreign assistance portfolio, putting some aid programs in a new department, but leaving others at State. This would only make it harder to preserve a crucial connection between

[14] Lael Brainard, "Organizing Foreign Assistance" in Lael Brainard, editor, Security by Other Means, Brookings Institution Press, 2007, pp.62-63

[15] See Peter McPherson's June 25, 2008 testimony to Congress at https://www.nasulgc.org/NetCommunity/Document.Doc?id=957

[16] Gordon Adams, "Don't Reinvent the Foreign Assistance Wheel", Foreign Service Journal, March 2008, "Rebalancing and Integrating the National Security Toolkit", Testimony before the Senate Committee on Foreign Relations, April 24, 2008, and personal correspondence.

US foreign assistance programs and the strategic objectives of US foreign and national security strategy, potentially creating a constant tension between "a new department with some of the foreign assistance dollars and the oldest Department in American government" which is responsible for implementing foreign policy. There would be inevitable duplication and friction as development activities are managed apart from aid programs that remain at the State Department, exacerbating the problem of coordinating overall U.S. foreign assistance. By treating development, an important objective of U.S. policy, as separate from other foreign assistance, bureaucratic duplication would only end up weakening both.

Adams has argued for stronger coordination and budget planning through the Office of the Director of Foreign Assistance. In his view, the linkage between foreign policy and foreign assistance programs is a critical to the effectiveness of US policy. The recently created State Department Office of the Director of Foreign Assistance represents, he thinks, the "first institutionalized, comprehensive, leadership-supported, strategically-driven effort to coordinate State and USAID's foreign assistance resources."

While acknowledging that the first year of the F process has had severe weaknesses, Adams argues that it should be improved and built upon, not abandoned. In his view, the keys to more effective foreign aid and operations are: increased transparency on the part of State/USAID as well as the Congress, more input from embassies and missions themselves into the plans and priorities, strengthened capacity for budgeting and planning in State's regional bureaus, stronger institutionalization of the planning process, and sustained White House attention on foreign assistance priorities. Adams predicts that allowing the F bureau to languish coupled with a long—likely unsuccessful—effort to create a separate department will only spur further migration of foreign affairs leadership from civilian agencies to the Defense Department. "Whatever structure emerges [from a redesign of civilian agencies] has to be able to deal with the full range of foreign assistance programs, not just development programs," Adams says.

Secretary of State accountable for all Foreign Assistance H2

A recent report from the minority staff of the Senate Foreign Relations Committee (SFRC) on the implementation of foreign assistance through Embassies also offered recommendations for fixing the aid bureaucracy.[17] The SFRC staff proposals emphasized the harmonization of aid with overall foreign policy. They called for the Secretary of State to provide strategic direction, transparency and top-level accountability to foreign assistance. Additionally, the Director of Foreign Assistance should be a Senate-confirmed position at the deputy secretary level, responsible for refereeing budget disputes at the strategic level. The position of Administrator of USAID should be restored to its former status as a separate position from the DFA.

[17] "Embassies Grapple to Guide Foreign Aid", a report to Members of the Committee of Foreign Relations, US Senate, November 16, 2007,

Similarly, the Advisory Committee on Transformational Diplomacy was explicit in wanting to strengthen the State Department. The committee's January 2008 report emphasizes State's role: "the Department of State is uniquely responsible for the broad range of US international interests and is accountable to the President for ensuring that all US Government (USG) non-combat efforts overseas support American foreign policy objectives."[18] It calls for State to lead in the development of an integrated Foreign Affairs Strategic Plan and integrated budget, working closely with the NSC and OMB

HELP Commission Split: Department for Development or Super State Department? H2

On the question of whether to create a new agency or augment the State Department's role, the HELP Commission's membership was divided. While four Commissioners backed a new Department for Development, the majority called for the creation of a completely revamped State Department (they refer to it as the International Affairs Department for convenience sake, but the idea amounts to a strengthened, super State Department). This state department would have an office of the Secretary at the top, comparable to the Office of the Secretary of Defense at DoD. Major parts of the new department would be devoted to: diplomacy, trade and development, public diplomacy, humanitarian aid and consular matters. Similar to inter-service "jointness" emphasized by the military in the last two decades, steps are recommended to ensure the various pieces work together – such as a requirement for personnel to rotate through at least one other part before being promoted into senior positions.

Recreate USAID as leading Development Agency H2

Professor Carol Lancaster, a former official at State, USAID and OMB, has published an excellent book on Bush Administration aid policies.[19] In its concluding chapters, she examines three options: a Department of Development; merging USAID into State; or leaving USAID as a sub-cabinet agency into which several other aid programs would be merged. Lancaster doubts that a new President will spend the political capital necessary to create a new development department, and she foresees formidable Congressional and other resistance to a full merger between USAID and State. For these reasons, she suggests combining bilateral aid programs into a sub-cabinet level USAID as the most practical way to achieve organizational reform at an affordable political cost.

Mirroring the Defense Department H2

Some suggest that, given the military's reputation for organizational management, civilian capacities should be structured to mirror the defense department. This idea is reflected in several recent proposals. The majority of the HELP Commission suggested folding civilian agencies under the Office of the Secretary of State, the way the Defense

[18] "The Secretary of State's Advisory Committee on Transformational Diplomacy", Office of the Secretary, US Department of State, January 2008, page 5. http://www.state.gov/documents/organization/99903.pdf

[19] Carol Lancaster, George Bush's Foreign Aid: Transformation or Chaos?, Center for Global Development, Washington, DC, 20008.

Department's Office of the Secretary of Defense (OSD) manages a number of subordinate agencies. Others have argued that the State Department's regional bureaus should be organized geographically to match up with the command areas of the combatant commanders. Yet these rather simplistic approaches fail to account for the large disparity in resources between the organizations and their very different missions.

White House Coordination of National Security H2

Even though they differ on the issue of a cabinet-level Department of Development, both the Modernizing Foreign Assistance Network and Gordon Adams see an urgent need for the White House to coordinate broader national security efforts. The Network's report calls for a strong "whole of government" coordination function in the Executive Office of the President and states that it would be "an essential complement to the effectiveness" of a new Department for Global Development. Adams states that it is critical for the NSC together with OMB to play a more active role in strategic planning and guidance.[20] He calls for a consistent approach that reviews national security issues across the international affairs, defense and homeland security agencies. By adding staff to both organizations, Adams recommends that NSC and OMB lead a Quadrennial National Strategy Review (QNSR) and produce biennial, classified National Security Planning Guidance to agencies that would also serve as the basis for an annual, integrated national security budget.

Weighing the Options H2

Advocates of a new Department for Development tend to focus on US development assistance without accounting for the many other foreign assistance/international programs. They do not, for example, address military assistance and other foreign aid programs that do not fit within the definition of official development assistance. Few discuss how to improve the relief and humanitarian programs now split between USAID and State and Defense. Opponents of the Department for Development seek a "strong center" for coordination and leadership of the full range of US foreign aid outside of USAID. Some would establish a coordination mechanism at the White House, doubting the State Department's ability to lead on foreign aid. Another group sees more harm than good from a separate USAID independent from the State Department. Clearly most of the legislation that governs the international affairs agencies acknowledges the Secretary of State's role in overall leadership of foreign policy and the need for other agencies to adhere to that policy.

Regardless of the need to give development issues more attention and priority at the Cabinet level, creating a new Department is at best a partial solution and will not resolve the lack of coordination and direction in US foreign operations. It is hard to imagine a serious candidate for Secretary of State taking the job if it entailed a regular battle with the Department for Development over policy and resources. Such strife

[20] Testimony, April 24, 2008, pp. 17-19. This concept of greater NSC involvement in strategic planning and national security resource allocation was also recommended by the CSIS "Beyond Goldwater-Nichols" project. See Clark Murdoch, Michèle Flournoy, et. al., Beyond Goldwater-Nichols Phase II Report, 2005, http://www.csis.org/media/csis/pubs/bgn_ph2_report.pdf

would not serve the President, who will want to pursue a coordinated, cohesive foreign policy.

Given these various ideas and proposals, the next Administration will need to decide whether to: build on the current effort; elevate and empower USAID as a separate Cabinet-level department; or try to enhance and improve USAID's effectiveness as sub-cabinet agency. A decision must also be made about whether to keep the F office responsible for administering the foreign assistance budget across State and USAID, or to expand its oversight to other funds and agencies that implement foreign assistance programs (it already has the authority to coordinate efforts of other agencies).[21] Another question is whether to have one person in charge of both the F bureau and USAID, or to have two people in those jobs.

Strengthening the US Government for International Engagement: the Hybrid Model H1

Given the political and practical difficulties in implementing the approaches discussed above, and with a view to offering an option that we believe is achievable within the first 90 days of a new administration, we propose another model, which we call the "hybrid model." We believe this model combines the best ideas from the leading options currently being discussed. The hybrid model would have four important components: (A) a new directorate on the National Security Council staff to coordinate foreign assistance and international programs across the international affairs community; (B) a modernized and strengthened USAID to lead on US relief and development programs; (C) improved oversight and management of foreign operations at the State Department, including effective use of the "F" office and appointment of regional bureau Deputy Assistant Secretaries to fund and allocate aid across various programs; and (D) periodic meetings of agency and department heads to discuss foreign assistance, modeled on the existing MCC board.

Establish NSC Directorate for International Programs H2

A new NSC directorate would provide significantly greater visibility, accountability and coordination for the President with respect to foreign assistance. It would work to link all foreign assistance programs (across the entire US government) and operations of the international affairs agencies to White House policy deliberations. Such an office would heighten the profile of the work of these agencies, help make their views known and play a key role in reconciling major disagreements.

The NSC senior director for foreign operations would have the following to-do list:

- Conduct a review to determine what authorities are needed to fold significant development programs like MCC and PEPFAR into USAID. Develop recommendations about which State Department foreign assistance programs

[21] According to Brainard, there are 19 US government departments or agencies that play roles in foreign assistance.

to place within USAID's area of responsibility, and whether to expand its role in a number of global areas, including relief, disease prevention and democracy promotion.

- Examine the balance between multilateral aid mechanisms and bilateral assistance.
- Examine options for the Administration to launch a major expansion of the Peace Corps.

The same directorate could consider other changes to US international programs not discussed in this paper, but suggested as options in several important reports:

- Revisit the roles of USAID/OTI and State/S/CRS and consider the best way for the USG to field civilians to carry out programs in countries with a large USG military presence. (This recommendation assumes that this type of US involvement in foreign countries will be the exception in future years and not the norm around which large new structures should be built. See Gordon Adams on this topic.[22])
- Guide the development of an inter-agency plan not just to hire more people for the international affairs agencies but also to get the most needed skill sets.
- Undertake a major review of theApril 1999 incorporation of USIA into State and consider the costs and benefits of this merger. Task the State Department to develop options for the future of public diplomacy. Any review of options should reflect the views of relevant stakeholders and experts.

For this directorate to work as an influential coordinating body, it would need a staff of experienced, senior-level personnel with years of government or field service and expertise in foreign assistance and other international programs. And they would have to act as true "honest-brokers" in preparing decisions for the President—ensuring that every agency has an ample hearing, particularly during deliberations on the annual budget.

Strengthen USAID H2

The second element of the hybrid model– and of vital importance – is a strengthened, modernized, and well-resourced USAID that draws together the best possible team of development professionals to tackle global threats to economic growth and development. This newly empowered agency would provide advice and guidance to the White House, NSC, embassies, other agencies and field experts serving overseas, and would oversee and coordinate development projects in the field. The Administrator of USAID would be the recognized lead on Development policy, have a seat at every relevant meeting of the Deputies committee, and represent the US government at international conferences on development issues.

In addition, USAID would take the lead on humanitarian relief (including refugee programs), transition initiatives, efforts to boost democracy as well as programs currently

[22] Gordon Adams, April 24, 2008 testimony, pp. 9-17.

carried out by MCC and PEPFAR. In theory, USAID could take responsibility for liaising with and funding the multi-lateral development banks, the UN Development Program, other UN development bodies, and UN High Commissioner on Refugees (UNHCR). The Administrator would be responsible for appointing a senior official to lead international crisis response during times of emergency. USAID development experts would staff and run missions abroad. As is already the case, the USAID Mission Director would be a member of the Ambassador's country team in-country. It should be stressed, though, that this proposal will only work if USAID is provided sufficient staff to actually run programs. Effective coordination will depend on the agency's active and constructive cooperation with other agencies. It will, for instance, need to share information about its plans and budgets in a timely way for review by the NSC directorate and the State Department, and build a reputation for excellence in Washington – not just in the field.

Strengthen State Department H2

Our third recommendation is to reform and strengthen the role of the State Department in foreign assistance. This reform would require three steps:

1) appoint a second Deputy Secretary of State for Foreign Operations, dual-hatted as the USAID Administrator, with primary responsibility for foreign assistance (and possibly State operations, as well);
2) fully use and expand the capabilities of the existing Office of the Director of Foreign Assistance (F). This office would report to the new Deputy for Foreign Operations and would manage budget planning and coordination; and
3) appoint senior assistance coordinators for every region of the world.

The position of another deputy secretary at the State Department actually exists in law, yet has never been filled. Given the fact that most assistance will be implemented by USAID, it would make sense for this Deputy to also serve as USAID Administrator and to sit primarily at USAID. This second Deputy Secretary could be responsible for all Foreign Assistance as well as the operations of USAID, and would represent foreign assistance issues and interests at Deputies meetings of the NSC. This official would be accountable to Congress in both capacities. In addition, the budget planning functions of the F bureau would report to the Secretary through this Deputy.[23]

Second, budget hearings must be institutionalized through F. While recognizing that the creation of the F bureau created tensions across the foreign assistance community, we nonetheless see a critical need for a strong central coordinating mechanism to ensure that the President's foreign policy objectives are supported and achieved. Joint planning, consultations on agency budgets, and efforts to pull data on

[23]Our goal in proposing this is to strengthen the position of USAID Administrator. Some would argue that dual-hatting the USAID Administrator would result in limiting the Administrator's ability to stand up for policy positions that differ from those held by the Secretary of State. An alternative would be not to dual-hat the Administrator, and instead to make him/her an independent actor representing only the interests of USAID. This might help ensure that the USAID Administrator could voice views in interagency meetings that are independent from the State Department's.

foreign aid together into a single, useful and accountable system are needed and should continue.

F would report to the Deputy Secretary for Foreign Operations, and would introduce at least three planning disciplines into the budget process: compiling budget plans (with field input and appropriate transparency)for all State/USAID foreign assistance and development programs, with thorough briefings particularly for the Deputy Secretary; a set of coordinating briefings on the budget accounts of other international affairs agencies; and a set of budget briefings on the international assistance programs of other non-function 150 agencies.

The third key element of a stronger State Department would be to assign a Deputy Assistant Secretary (DAS) for each region to serve as the regional aid coordinator. In the 1990s, regional aid coordinators, with authority over substantial aid funds, played leading roles in US support for the transformation of the countries of Central and Eastern Europe and the states of the former Soviet Union. These coordinators were able to take the initiative in allocating significant amounts of aid with the right mix of different programs (short and long-term) and ultimately to achieve results in the field.

Under this proposal, there would be a DAS in each regional bureau responsible for allocating all economic and political foreign aid within the region, based on a thorough knowledge of ongoing efforts and accompanied by clear justification for how the resources are divided. This person would be selected based on their proven abilities to manage aid programs and would help articulate an overall vision for US engagement in their respective regions. This person might very well be a senior professional from USAID. The regional DAS for aid would lead a small team of policy and budget analysts and would be able to explain to key stakeholders – including the Secretary of State, NSC, OMB, Congress, and senior officials from the recipient countries – the importance of a mix of approaches tailored to conditions on the ground. The DAS would also be sensitive to the trade-offs among different types of programs. Various programs would compete for a share of the regional aid fund – so that assistance programs might emphasize public diplomacy projects in one region, projects to help produce clean water and to fight HIV/AIDS in another and counter-narcotics programs in a third.

The decisions of the DAS would be guided, above all, by the President's foreign policy objectives, and the source of the funding would be the appropriate regional account for the promotion of economic and political stability in that country/region. Since all funding decisions will be made by the regional bureaus, functional bureaus would, instead of managing separate budget accounts, respond to the needs of each region as directed by the Deputy Secretary, using funds allocated by the regional bureaus. This would also streamline the process by which embassies and USAID missions receive guidance on budget and policy. Rather than seeking guidance solely from the Director of Foreign Assistance, Ambassadors and USAID mission directors in the recipient countries would work closely and continuously with the policy and resource DAS.

And, unlike the current F-process—which has emphasized bilateral aid programs and the sorting of countries by their level of development—this mechanism would focus on countries AND regions, with a sensitivity for the history, politics and geography of the region and the flexibility to support cross-border programs where it makes sense. This proposal does not mean that the State Department would run development programs, although some of the regional funds might be allocated to USAID for development programs run by USAID missions. Running development programs is a task that would clearly fall to USAID. At the same time, the State Department needs to boost the program management skills of its staff; even those who have no such responsibilities will need a greater appreciate for what they entail.

A Board to Review Foreign Assistance H2

Several times a year, leaders of US foreign assistance agencies should meet to discuss the general trends and initiatives in overall foreign assistance/foreign operations. A new foreign operations board, with a mandate for regular meetings could be highly useful in helping achieve greater coordination and coherence. The existing MCC board could be used as a model.[24] This board's oversight and deliberations could generate ideas for how to better educate the Congress, media and the public – as well as staff and senior officials in the international affairs agencies themselves – about the international programs of the US Government. This board could also push for enhanced transparency.

The Role and Importance of Congress in Change H1

Congress has an important role to play in considering, authorizing and funding new and more effective ways to conduct US foreign operations. A new Administration must include Congress as a partner in designing and implementing changes. Indeed, any failure to do so will undermine, and potentially doom, the chances for reform or modernization.

Fortunately, the new Administration will find willing partners in key positions in Congress. Rep. Howard Berman and Rep. Ileana Ros-Lehtinen, the Chairman and Ranking Minority Member, respectively, of the House Foreign Affairs Committee, have announced that they want to write and pass a new Foreign Assistance Authorization Act in the new Congress that starts in January, 2009. The core piece of legislation governing foreign assistance was first enacted in 1961 and there has not been a comprehensive revision since 1985.[25] On March 11, 2008, Rep. Berman announced, "I intend, in the next Congress, to work with the Senate to resume the practice of passing foreign aid and State Department authorizations bills, both of which are essential for strengthening the tools of effective diplomacy. I also expect to begin laying the groundwork for a major overhaul of U.S. assistance to other countries."

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[24] The MCC Board of Directors is composed of the Secretary of State, the Secretary of Treasury, the U.S. Trade Representative, the Administrator of USAID, the CEO of the MCC and four public members appointed by the President of the United States with the advice and consent of the U.S. Senate. See also Carol Lancaster, George Bush's Foreign Aid: Transformation or Chaos?, p. 100.

[25] Unlike their counterpart committees that authorize defense programs, the House Foreign Affairs Committee and SFRC have not succeeded in passing and enacting an annual authorization bill for international programs. The real decisions, therefore, get made in the annual appropriations legislation that *must* pass (either as a stand-alone act or included as part of a larger "omnibus" appropriation) in order to fund the departments and agencies for the fiscal year.

The minority staff of Senate Foreign Relations Committee's (SFRC) recent report on the implementation of foreign assistance through Embassies also calls for a new foreign aid authorization act. The study argues that a new act is needed to reflect the contemporary structure of foreign aid and provide a cohesive strategy. Such an act could provide a basis for enhanced coordination and a fresh start.

Since 2002, the SFRC has on two different occasions brought a comprehensive foreign assistance bill to the Senate Floor. Each time, the bill was pulled off the floor for reasons unrelated to the legislation itself.[26] A rewrite of foreign assistance authorization legislation should only be attempted if it is an Administration priority and the White House agrees to support the effort.

Secretary Gates and Secretary Rice have appeared together before committees of Congress as one way of reinforcing the relationship between defense and foreign operations. This practice should continue. The Help Commission did suggest a number of small measures that a new Administration could easily pursue in partnership with Congress, such as encouraging members of key committees to travel to aid recipient countries, and inviting Members to participate in US delegations to important international conferences on development issues.

A Rare Opportunity H1

There is a bipartisan consensus that change is needed. Hopes are high that a new Administration would come into office with a commitment to overhaul the civilian parts of the national security apparatus. In the absence of real change, the status quo would prevail, and the government's foreign policy community would carry on, as in the past, by coping. US foreign policy would continue to be characterized by overreliance on military means to engage other countries—complemented by small programs for reconstruction and stabilization and incremental increases in the number of diplomats and development experts. Another scenario would be for the next President to make bold announcements followed by slow implementation, and support investments in select programs (HIV/AIDS, malaria) but neglects other killers (lack of clinics and safe water, diarrhea and respiratory disease, maternal mortality).

A consensus like the present one is rare. While a broad consensus exists among key actors, it is also shallow and thus will be hard to maintain once concrete changes are proposed and decisions start being made. Nonetheless, it would be a shame to squander this best opportunity in years to reinvigorate, modernize and improve the US international affairs agencies.

All of the options for aid reform discussed above (see summary table in Annex III) have several things in common:

- Consensus that change is needed and that the time is ripe for change.

[26] This happened in 2002 and 2004.

- Agreement that the United States needs to be more effective in running programs to help people in other countries
- Belief that foreign aid is essential to the pursuit of US national interests.
- Recognition that the United States must strike a better balance between military and civilian tools of international engagement.
- Desire to consolidate numerous government actors into fewer entities
- Emphasis on improving coordination across the various US government agencies to align US government activities with the nation's foreign policy goals and avoid duplication.
- Recognition of the need for a longer-term strategic vision for US programs.

The fault line of this debate is a split over the proper locus for leadership of these efforts – at the top of the State Department, with a new development department, or through a coordinator based in or around the White House. We believe the "hybrid model" combines the best of all these ideas: a "final arbiter" on the NSC staff who is knowledgeable and can obtain input from key actors and help resolve disputes that arise, a State Department that can ensure aid programs meet the President's foreign policy needs, a strong development agency that incorporates all or most major development programs, and several senior officials who understand the importance of foreign assistance programs and are ready to speak up in support of them. In addition, and of some importance, the hybrid model would offer a new administration a path to change with relatively modest bureaucratic and legislative hurdles—engaging only those policy battles that are integral to the effort.

Further, we believe the "hybrid model" will give the US government an ability to engage constructively with other countries in a coordinated, consistent manner in support of the President's foreign policy. This model would help build stronger international affairs agencies and improve the planning, budgeting and responsiveness of US foreign operations. Perhaps as important, we believe this proposal is achievable in a relatively short time and could bring together various proponents of a reinvigorated, comprehensive US foreign assistance agenda that will serve the global interests of Americans.

Summary Chart:
Strengthening US Foreign Operations:
Major Options for the Next Administration

The following chart lists major options for the next Administration, including many of the ones we have discussed above, and rates them based on how quickly they could be implemented. Options that are part of the hybrid model are indicated with an asterisk (*).

	First weeks	First year	12-36 months	Too hard/ Impractical
A. Mission & Strategy				
Adopt Millennium Development Goals as US policy	X			
Focus significant part of US development aid on a couple/few clear goals		X		
Adopt a new approach to assistance focused on performance measurement			X	
B. Personnel				
Expand size of Foreign Service		X		
Recruit more USAID personnel		X		
Examine Skill Set needed for future hires	X			
Expand Civilian Roster of Crisis-response experts		X		
C. Organizational Structure & Leadership				
Create Cabinet-level Development Department[27]			X	
Create International Affairs Department/Super State Department (HELP Commission proposal)				X
Fold Treasury MDB programs into USAID*	X			
Fold MCC into USAID; revise/reauthorize Millennium Challenge Act*		X		
Appoint a 2nd Deputy Secretary of State to oversee State operations and foreign aid (position exists);* change DFA into Undersecretary for Foreign Assistance (requires legislation).		X		

[27] Steps for creating an agency would include: Consult with Congress and stakeholders in advance; announce intention to create department; develop specific plans for new department; seek Congressional authorization and appropriations; and establish new Department.

	First weeks	First year	12-36 months	Too hard/ Impractical
Administrator of USAID dual-hatted or treated as Deputy Secretary of State, reporting to Secretary*	X			
State and USAID integrate strategic planning offices and technology infrastructures, co-locate related offices, and rotate staff.	X--→	X		
Use Board of Agency Heads for senior-level review and coordination of all US foreign aid efforts*	X			
Designate DAS position in every State regional bureau to oversee and allocate resources for political, economic and other purposes*	X			
Fold State Department offices handling humanitarian, refugee and democracy programs into USAID*		X		
Review, combine and strengthen Civilian Agency efforts for Stabilization & Reconstruction*		X		
Strengthen Public Diplomacy function at State Department		X		
Invest more in exchange programs		X		
Integrate full range of USG public diplomacy assets in one semi-autonomous agency reporting to the Secretary of State			X	
Recreate separate USIA-like agency for public diplomacy			X	
Expand the Peace Corps		X		
More partnerships with the private sector	X			
D. Strategic Planning and Budgeting				
Expand F Bureau to coordinate aid from other agencies*		X		
Restore separate planning and budget offices to USAID and State	X			
OMB, President force consideration of broad "National Security" budget	X			
Create NSC office for foreign operations and look at issues that cut across national security agencies*	X			
Review International Affairs agencies and foreign aid in a Goldwater-Nichols type of exercise		X		

	First weeks	First year	12-36 months	Too hard/ Impractical
QDR type exercise for State/international affairs agencies, or for all national security agencies		X		
E. Change in Congress				
Encourage members of Congress to travel to aid recipient countries, and invite Members to participate in US delegations to international conferences	X			
Reauthorize PEPFAR program		X		
Rewrite Foreign Assistance Act			X--→	X
Joint hearings Foreign Affairs or Relations and Defense Committees	X			
Merge Committees of Congress that handle National Security (e.g., one subcommittee of budget committee for national security)				X
Merge Foreign Affairs Appropriations/Authorizing committees				X

InterAction
American Council for Voluntary International Action

POLICY PAPER

June 2008

Proposed Major Components and Organization of a Cabinet-level Department for Global and Human Development

Photo courtesy Evan Abramsh

InterAction, the largest alliance of U.S.-based development and humanitarian relief non-governmental organizations, has called for the creation of a Department for Global and Human Development (DGHD). This paper provides detail on the proposed components of such a department. It builds on InterAction's paper that explores the reasons a new department is needed.

Why a new department?

The Department for Global and Human Development's fundamental mandate will be to promote people-centered, sustainable development, broadly defined and inclusive of the Millennium Development Goals,[1] and provide humanitarian assistance. The long-term goal of its activities is a stable, sustainable world of free, democratic, economically prosperous states in which the worst aspects of poverty have been eliminated.

We believe this name emphasizes the major attributes that the new department must have:

- **Global** because the department will focus on global issues. The DGHD will lead U.S. Government international programs on HIV/AIDS, avian flu and other health threats, as well as climate change and biodiversity conservation. It will play a role within the U.S. Government on trade issues with the developing world. The department also will be global in its focus on participation and collaboration with recipient country governments, other donors, multilateral organizations, and, crucially, with civil society.
- **Human** because the department will focus on people-centered development. Its core

1400 16th Street, NW
Suite 210
Washington, DC 20036
202-667-8227
reform@interaction.org

www.interaction.org

1 The eight Millennium Development Goals are to: (1) eradicate extreme poverty and hunger; (2) achieve universal primary education; (3) promote gender equality and empower women; (4) reduce child mortality; (5) improve maternal health; (6) combat HIV/AIDS, malaria, and other diseases; (7) ensure environmental sustainability; (8) develop a global partnership for development. The Bush Administration has endorsed these goals.

purpose will be to improve human well-being and alleviate the worst aspects of human suffering.

- **Development** because the department will focus on sustainable development. It will develop and manage coordinated approaches to alleviate poverty, promote sustainable, equitable economic growth, and respond to global challenges.

Photo courtesy: Rebecca Jones

The Department for Global and Human Development's fundamental mandate will be to promote people-centered, sustainable development, broadly defined and inclusive of the Millennium Development Goals, and provide humanitarian assistance.

In 1961, when President John F. Kennedy called for greater coherence and cohesion in U.S. civilian foreign assistance programs, he said this:

> If our foreign aid funds are to be prudently and effectively used, we need a whole new set of basic concepts and principles:
>
> - Unified administration and operation – a single agency in Washington and the field, equipped with a flexible set of tools, in place of several competing and confusing aid units.
> - Country plans – a carefully thought through program tailored to meet the needs and the resource potential of each individual country, instead of a series of individual, unrelated projects. Frequently, in the past, our development goals and projects have not been undertaken as integral steps in a long-range economic development program.
> - Long-term planning and financing – the only way to make meaningful and economical commitments. ...
> - Special attention to those nations most willing and able to mobilize their own resources, make necessary social and economic reforms, engage in long-range planning, and make the other efforts necessary if these are to reach the stage of self-sustaining growth.
> - Multilateral approach – a program and level of commitments designed to encourage and complement an increased effort by other industrialized nations.
> - A new agency with new personnel – drawing upon the most competent and dedicated career servants now in the field, and attracting the highest quality from every part of the nation.
> - Separation from military assistance – our program of aid to social and economic development must be seen on its own merits, and judged in the light of its vital and distinctive contribution to our basic security needs. ...

President Kennedy's concepts and principles stand the test of time to guide a new reform of U.S. foreign assistance programs. It is astonishing how far the U.S. Government has drifted from these clear, compelling ideas over the last fifty years:

- Instead of a unified administration and operation, today we have multiple "competing and confusing aid units" scattered throughout the U.S. Government.

- Instead of "carefully thought through" country plans, today we too often have "a series of individual, unrelated projects."
- Instead of long-term planning and financing, we too often have short-term plans and funding.
- The Millennium Challenge Account and Corporation were created in 2003 to bring "(s)pecial attention to those nations most willing and able ... to reach the stage of self-sustaining growth," but this promising move also "added to the fragmentation of foreign assistance programs across the Executive Branch and weakened the authority of USAID."[2]
- Instead of a multilateral approach, the U.S. too often has taken a unilateral approach, not coordinating with other interested governments, organizations, businesses, and civil society structures.
- Instead of attracting personnel of "the highest quality from every part of the nation," today's USAID is a shell, unable to implement President Kennedy's vision. USAID, created by President Kennedy, and still the primary actor responsible for U.S. foreign assistance programs, today is weak, poorly organized, and has been demoralized and eviscerated by severe staff shortages.
- Instead of a clear separation between military and civilian assistance programs, we see today greater and greater encroachment of military personnel and programs into what should be civilian foreign assistance programs.

InterAction has drawn on the insights of President Kennedy (see Appendix I), on recent reports from various organizations and commissions (see Appendix II), and on broad experience from six decades of nongovernmental organizations' (NGOs) work on development and humanitarian issues in developing its recommendations on the structure of a Cabinet-level department for Global and Human Development. Aspects of this proposal are closely modeled on the recommendations of the 2004 report of the Commission on Weak States and U.S. National Security sponsored by the Center for Global Development. The Commission's report, *On the Brink: Weak States and U.S. National Security*, recommended "that the administration establish an integrated development strategy and implement it within a single, Cabinet-level development agency."

InterAction endorses the central recommendation of the Commission on Weak States and U.S. National Security (see Appendix III):

> The new Cabinet department would ... incorporate USAID, the Millennium Challenge Corporation, and some foreign assistance programs run by the Departments of State, Defense, Health and Human Services, and Agriculture. Of course, the United States will always deploy some economic assistance purely in support of diplomatic

2 Radelet, Steve, Center for Global Development Essay, "Modernizing Foreign Assistance for the 21st Century: An Agenda for the Next U.S. President," March 2008, p. 7.

goals; resources for that purpose should remain in the State Department. In addition, although Treasury has been consistently effective in working with Congress to ensure appropriate U.S. leadership in the multilateral development banks, those activities ultimately should move from Treasury to the new development agency as well, if it is to meet the challenges we have outlined.

A new Department for Global and Human Development would replace the weakened U.S. Agency for International Development (USAID). The current national security strategy has recognized that diplomacy, defense and development are the three pillars of our national security. Yet the current administrative structure of the executive branch leaves the development component without the high-level, centralized organization it needs to fulfill its role as an equal pillar. The DGHD's Cabinet-level designation would give it the clout to insist on the importance of effective development strategies without being drowned out by louder voices in the government arguing for an emphasis on other goals, often to the detriment of development. An independent department-level voice dedicated to advocating for development should facilitate striking the appropriate balance between various assistance tools and the valid imperatives of the Departments of State and Defense. Even a strengthened USAID would lack the ability to get a seat at the table when these major decisions are discussed, could not coordinate other Cabinet-level departments effectively, and would not have the same ability to attract high quality staff "from every part of the nation."[3]

Photo courtesy: Brent Stirton

Major Components and Organization[4]

The Secretary of the DGHD would be the lead voice within the U.S. Government below the President on development assistance and humanitarian issues and a leading advisor to the President on international issues. To ensure that this voice is always heard when it must be, the DGHD Secretary would be a member of both the National Security Council and the National Economic Council. The DGHD would have a seat on all major interagency groups where development and/or humanitarian issues are discussed.

Most development assistance and humanitarian programs, presently scattered across various U.S. Government departments and agencies, would be placed in the DGHD. USAID would become part of the DGHD. All international health programs with in-country projects would become part of the DGHD, including PEPFAR and the President's Malaria Initiative. The DGHD would manage programs in key development sectors, including agri-

3 In her book *Security by Other Means*, Lael Brainard of the Brookings Institution, describes the current fragmentation of foreign assistance within the U.S. Government, and after analyzing various models for structure concludes that a more centralized and elevated organization (i.e., a Cabinet-level department) is required to effectively utilize development assistance.

4 This section is not intended as an exhaustive presentation of the various structural components of the DGHD. It does not discuss the need for certain functions, such as legislative and public affairs, program and policy coordination, and management and accounting, which any government department must have. Instead, this section focuses on those structural components which would shift from various departments and agencies to the DGHD, and particularly on structures where the focus and activities are not obvious and require some explanation.

culture, civil society, economic growth, education, environment, good governance, health and rule of law. InterAction strongly believes that gender equality is essential for global progress and security. Gender equality and women's empowerment should be guiding principles for DGHD activities in all sectors.

All functions relating to development and humanitarian assistance presently under the Department of State's Bureau for Population, Refugees and Migration (PRM), including all non-domestic funding for migration and refugee affairs would be housed within the DGHD. Programs in the Department of Agriculture (USDA) relating to food aid would also move to the DGHD as would smaller programs in the Departments of Commerce and Labor and elsewhere. The U.S. Government presently runs six poorly coordinated food aid programs, some of which have conflicting objectives. While USDA would retain a role regarding food aid, these programs would be coordinated and rationalized under the DGHD, and would be run by the new department.

Photo courtesy: Sandra Mansour/Drgfi

An independent department-level voice dedicated to advocating for development should facilitate striking the appropriate balance between various assistance tools and the valid imperatives of the Departments of State and Defense.

Recently created programs that give the Department of Defense (DoD) a large role in development promotion also would be moved to the DGHD. However, under the overall coordination of the DGHD, DoD would continue to play a key role in many complex international humanitarian relief operations.

All development programs in the Baltic States, Eastern Europe and the states of the former Soviet Union presently coordinated by the Department of State would move to the DGHD.

The Millennium Challenge Corporation (MCC) would become part of the DGHD. The many positive aspects of the MCC should be retained, including its emphasis on the provision of substantial, multi-year funds to well-governed democratic states, country ownership, transparent eligibility criteria, the elimination of tied aid, and careful consultation with local and international NGOs.

Roles regarding environmental issues would be divided among the DGHD, the Department of State, the Environmental Protection Agency (EPA), the Department of the Interior, and other relevant parts of the U.S. Government, with the DGHD responsible for funding activities across the developing world to respond both to global environmental challenges and local environmental issues in particular countries and regions, and the State Department in the lead in negotiations on climate change and other critical environmental issues. EPA would provide technical experts and assistance.

The DGHD would coordinate closely with the State Department's Bureau for International Organizations regarding U.S. support for international organizations, such as UNICEF, the UN Development Program, the UN High Commissioner for Refugees (UNHCR) and the UN Office for the Coordination of Humanitarian Affairs, whose primary missions relate to development promotion and/or humanitarian response.

A new, joint office for the International Financial Institutions (IFIs) and debt should be created with personnel from both the DGHD and Treasury. The DGHD would lead on issues concerning the World Bank and other Multilateral Development Banks (MDBs); the Treasury would lead on issues concerning the International Monetary Fund (IMF). The two

departments, along with other relevant U.S. Government (USG) entities, would jointly manage debt relief and debt financing issues.

The DGHD would have a voice on U.S. Government trade policy towards developing countries. More than one dozen U.S. Government departments, agencies and other entities currently have a role in trade issues. This list includes: the U.S. Trade Representative (USTR); the Departments of Agriculture, Commerce, Health and Human Services, Justice, Labor, State, Transportation, and Treasury; USAID; and EPA. The DGHD would have a seat on all major interagency groups working on trade issues.

The Secretary of the new department would have a central role regarding certain U.S. Government agencies and entities:

- The Director of the Trade and Development Agency (TDA) would report to the Secretary of the DGHD.
- The DGHD Secretary would maintain the seat that the Administrator of USAID presently has on the Board of the Overseas Private Investment Corporation (OPIC);
- DGHD Secretary also would become an *ex officio* member of the Board of the Export-Import Bank; and
- The appropriate regional DGHD Assistant Secretary would become an *ex officio* member of the Board of, respectively, the Inter-American and African Development Foundations.

The Peace Corps would retain its independence outside the DGHD.

State Department accounts that have a large security/military component would remain there, such as the International Narcotics Control and Law Enforcement Account and the Non-Proliferation, Anti-Terrorism, Demining, and Related Programs Account.

The State Department would retain control over political and security-related programs, including Economic Support Funds (ESF) and military assistance. However, the DGHD would work closely with the State Department to ensure that ESF monies allocated for projects are used to promote development. ESF is rarely a cash transfer to another government. Much more frequently, ESF is provided as project assistance, and much of it is implemented by USAID.[5]

Appendix IV provides a notional allocation of roles between the DGHD and various departments and agencies presently funded through the 150 Account.

5 Problems occur when State insists that USAID implement patently inappropriate projects. This happens when State officials confuse their role in providing overall policy direction with USAID's role to provide professional design and management of development programs. The State Department's ability to require USAID to implement ESF programs that USAID finds inappropriate has varied from administration to administration. The Clinton Administration had a Memorandum of Understanding governing State-USAID collaboration on ESF that reportedly led to a greater voice for USAID and more appropriate development projects through ESF. The Bush Administration has lowered USAID's voice, reverting to older U.S. Government habits of using ESF as "walking around money" intended to serve short-term U.S. interests with much less regard for effective development promotion.

The DGHD must be structured to work effectively with the variety of private actors also working to promote global and human development. The HELP Commission's recent report on foreign assistance reform, "Beyond Assistance,"[6] notes: "Private philanthropists and foundations, multinational corporations, nongovernmental organizations, co-operatives, faith-based organizations and universities are increasingly engaged in the developing world through charitable giving and through development activities which were formerly the exclusive purview of governments. ... Our elected leaders should capitalize on the unique skills and assets that other segments of our society can bring to bear."

Expanded partnerships with private organizations should enhance the effectiveness of the DGHD. The DGHD should look to expand recent initiatives in this area, and seek out creative new actors and approaches to work with and support. This should include looking for ways to expand work with voluntary organizations, foundations and individual volunteers.

Photo courtesy: Sara Syvuda

The DGHD must possess a strong capacity to evaluate projects, generate lessons learned, and not only communicate this information within the DGHD, but also to share it with other bilateral and multilateral donors, recipient countries, civil society and other actors. Foreign assistance programs need to operate under one coherent system not merely to account for where monies are being invested and for what purpose, but, equally, to measure and understand whether and how programs have helped improve peoples' lives, e.g., by increasing literacy rates, decreasing infant deaths, sustaining communities' natural resources, strengthening democratic institutions, and other similar measures. The DGHD should integrate women's empowerment and gender equality into all its activities and mechanisms for measuring success.

Foreign assistance programs need to operate under one coherent system not merely to account for where monies are being invested and for what purpose, but, equally, to measure and understand whether and how programs have helped improve peoples' lives.

Resource Allocation, Coordination, and Staffing

Under the DGHD, overall resource allocation would proceed in a radically different manner from what occurs today under the "F" process of foreign assistance reform. The DGHD would receive its budget from the Congress, and, based on the relevant laws, would make decisions on the proper allocation of funds across countries and sectors. It would have a direct relationship with the Office of Management and Budget on budget issues; its budget would not be vetted by the State Department. The Department of State would play an important role in providing advice to the DGHD on important diplomatic considerations to take into account when considering allocations, but ultimate decisions on budget levels would be based fundamentally on development and humanitarian criteria.

Economic Support Fund (ESF) levels would be decided upon by the Department of State after examining DGHD allocation levels. For example, the State Department would examine country allocations by the DGHD, and, where it concluded that a particular country required additional assistance, would decide to allocate ESF. Then, in consultation with the DGHD, the most appropriate mix of programs would be decided upon. In ESF decisions, the State Department would have the lead in suggesting sectors, while the DGHD would

6 For more discussion of the HELP Commission's report and other recent studies of foreign assistance, see Appendix III.

retain the authority to design and manage the most effective programs within the sector. ESF allocations could be made on rare occasions as direct cash transfers to a country's government, but most ESF funds would go to projects designed and managed by the DGHD.

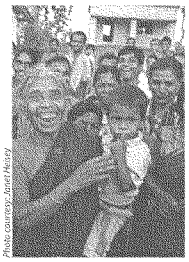

Photo courtesy Janet Heisey

The Department for Global and Human Development must place most of its staff in the countries where it works (including outside of capital cities where appropriate), attract high-quality personnel, and provide regular opportunities for in-service training.

The U.S. Government has a variety of interests in many countries of the world. These interests can include preventing conflict, fighting terrorism, strengthening civil society, promoting democracy, strengthening the private sector, reducing child and maternal mortality, and many more. There is not one "right" mix of programs in such complex situations, particularly given the constantly changing environment and the involvement of multiple local and international actors. Particularly in fragile states, careful coordination among the Department of State, DGHD, DoD, and other U.S. actors will be required.

InterAction supports close coordination among U.S. Government departments and agencies working internationally. The Department of State would retain the lead role in the U.S. Government mandated to coordinate overall U.S. engagement in particular countries. The DGHD would ensure that the development voice is not muffled as these complex issues are discussed. Further, with most programs placed within the DGHD, the confusion of multiple Cabinet-level departments operating programs in countries around the world would be addressed, with coordination processes streamlined and rationalized.

The U.S. ambassador in any country would remain the head of the country team, including DGHD representatives. Just as the Department of Defense regularly has defense attachés in U.S. embassies who works closely with the U.S. ambassador and serves as the voice of DoD within the Embassy, so the DGHD Country Director would work closely with the ambassador and serve as the leader and voice of the DGHD within the Embassy. The DGHD Country Director would coordinate all DGHD activities in country, including all operations of the present USAID Office of Foreign Disaster Assistance (OFDA), Office of Transition Initiatives (OTI), and Office of Food for Peace, as well as all of the international refugee functions presently under the State Department's Bureau for Population, Refugees and Migration, the Department of Agriculture's food aid programs and other smaller programs currently housed in the Departments of Commerce and Labor and other parts of the executive branch.

InterAction strongly believes in local ownership of programs and partnerships with stakeholders. This can only be done well when administered by staff based in the country; it cannot be done effectively from Washington. According to former USAID Administrator J. Brian Atwood:

> If a foreign agency is to be effective in assisting a nation pursuing a development strategy, it must have adequate numbers of professionals on the ground (including a large number of host-country citizens), and programmatic flexibility to direct resources where needed. Its professional representatives must have the standing and knowledge to coordinate with the government and with other donors. The skills needed are managerial, diplomatic, and technical, combined with cultural sensitivity and language capacity.

The Department for Global and Human Development must place most of its staff in the countries where it works (including outside of capital cities where appropriate), attract high-quality personnel, and provide regular opportunities for in-service training. Placing sufficient numbers of talented, trained, motivated personnel in cities like Jakarta and Monrovia is the best way to establish the types of programs and maintain the kinds of partnerships that will promote development in countries like Indonesia and Liberia.

The DGHD will need to recruit a substantial number of professionals who are highly skilled in particular technical areas. Some of these people will staff technical offices in Washington; others will serve in DGHD field missions. The U.S. Government suffers from a drastically low number of technical experts in such key areas as agriculture, democracy promotion, development economics, education, the environment, gender, and population. The new Development Leadership Initiative (DLI) of USAID Administrator Henrietta Fore, included in the administration's FY 2009 Budget Request, is an important step in the right direction. Under the DLI, "USAID will recruit, hire, and train 300 new Foreign Service Officers (FSOs) in critical stewardship and technical backstops. The DLI will strengthen USAID's capacity to provide leadership overseas to develop, implement, and integrate programs that bring peace, prosperity, and security to the world." This important initiative should be dramatically expanded under the DGHD.

Legislation

Creating such a Cabinet-level department requires passage of new authorizing legislation to rewrite the Foreign Assistance Act of 1961, as well as revision of other legislation relating to specialized programs, such as the Millennium Challenge Act and the sections in the Farm Bill relating to food aid.

Photo courtesy: Armando Ocano

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APPENDIX I.
President John F. Kennedy and Foreign Assistance Structure

In 1961, barely two months in office, President John F. Kennedy sent a "Special Message to Congress on Foreign Aid." Most of it could be applied nearly verbatim as a diagnosis of today's problems as well as a cogent reform program. His message included the following:

> ... (N)o objective supporter of foreign aid can be satisfied with the existing program – actually a multiplicity of programs. Bureaucratically fragmented, awkward and slow, its administration is diffused over a haphazard and irrational structure covering at least four department and several other agencies. The program is based on a series of legislative measures and administrative procedures conceived at different times and for different purposes, many of them now obsolete, inconsistent and unduly rigid and thus unsuited for our present needs and purposes. Its weaknesses have begun to undermine confidence in our effort both here and abroad.
>
> The program requires a highly professional skilled service, attracting substantial numbers of high caliber men and women capable of sensitive dealing with other governments, and with a deep understanding of the process of economic development. However, uncertainty and declining public prestige have all contributed to a fall in the morale and efficiency of those employees in the field who are repeatedly frustrated by the delays and confusions caused by overlapping agency jurisdictions and unclear objectives. Only the persistent efforts of those dedicated and hard-working public servants who have kept the program going, managed to bring some success to our efforts overseas.
>
> In addition, uneven and undependable short-term financing has weakened the incentive for the long-term planning and self-help by the recipient nations which are essential to serious economic development. The lack of stability and continuity in the program – the necessity to accommodate all planning to a yearly deadline – when combined with a confusing multiplicity of American aid agencies within a single nation abroad – have reduced the effectiveness of our own assistance and made more difficult the task of setting realistic targets and sound standards. Piecemeal projects, hastily designed to match the rhythm of the fiscal year are no substitute for orderly long-term planning. ...
>
> Although our aid programs have helped to avoid economic chaos and collapse, and assisted many nations to maintain their independence and freedom – nevertheless it is a fact that many of the nations we are helping are not much nearer sustained economic growth than they were when our aid operation began. Money spent to meet crisis situations or short-term political objectives while helping to maintain national integrity and independence has rarely moved the recipient nation toward greater economic stability. ...
>
> If our foreign aid funds are to be prudently and effectively used, we need a whole new set of basic concepts and principles:

- Unified administration and operation – a single agency in Washington and the field, equipped with a flexible set of tools, in place of several competing and confusing aid units.
- Country plans – a carefully thought through program tailored to meet the needs and the resource potential of each individual country, instead of a series of individual, unrelated projects. Frequently, in the past, our development goals and projects have not been undertaken as integral steps in a long-range economic development program.
- Long-term planning and financing – the only way to make meaningful and economical commitments. ...
- Special attention to those nations most willing and able to mobilize their own resources, make necessary social and economic reforms, engage in long-range planning, and make the other efforts necessary if these are to reach the stage of self-sustaining growth.
- Multilateral approach – a program and level of commitments designed to encourage and complement an increased effort by other industrialized nations.
- A new agency with new personnel – drawing upon the most competent and dedicated career servants now in the field, and attracting the highest quality from every part of the nation.
- Separation from military assistance – our program of aid to social and economic development must be seen on its own merits, and judged in the light of its vital and distinctive contribution to our basic security needs. ...

I propose that our separate and often confusing aid programs be integrated into a single Administration ...

The field work in all these operations will be under the direction of a single mission chief in each country reporting to the American Ambassador. This is intended to remove the difficulty which the aided countries and our own field personnel sometimes encounter in finding the proper channel of decision-making. ...

But I am not proposing merely a reshuffling and re-labeling of old agencies and their personnel, without regard to their competence. I am recommending the replacement of these agencies with a new one – a fresh start under new leadership.

But new organization is not enough. We need a new working concept.

At the center of the new effort must be national development programs. It is essential that the developing nations set for themselves sensible targets; that these targets be based on balanced programs for their own economic, educational and social growth-programs which use their own resources to the maximum. If planning assistance is required, our own aid organization will be prepared to respond to requests for such assistance, along with the International Bank for Reconstruction and Development

and other international and private institutions. Thus, the first requirement is that each recipient government seriously undertake to the best of its ability on its own those efforts of resource mobilization, self-help and internal reform – including land reform, tax reform and improved education and social justice – which its own development requires and which would increase its capacity to absorb external capital productivity.

And in May 1961, President Kennedy stated:

My decisions on foreign affairs organization are predicted on the following principles:

First, authority for the conduct of activities which advance our foreign policy objectives should be vested in the President or other officials primarily concerned with foreign affairs.

Second, international activities of domestic agencies should be clearly either (i) necessary extensions of their normal domestic missions or (ii) undertaken on behalf of and in support of programs and objectives of the appropriate foreign affairs agencies.

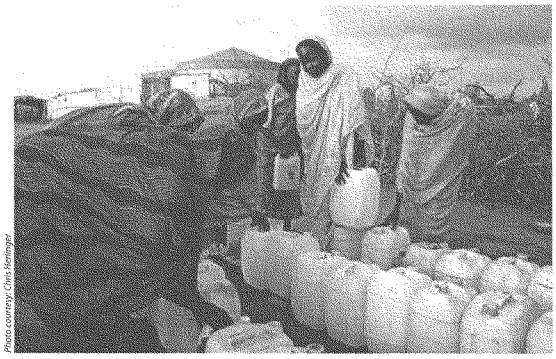

Photo courtesy: Chris Hellinger

APPENDIX II.
Recent Studies on Restructuring Foreign Assistance

Three studies released in the second half of 2007, while differing on the specifics, all agreed on the importance of foreign assistance and the need to significantly alter present structures and approaches. One report, "Embassies Grapple to Guide Foreign Aid", was prepared by the Minority Staff of the Senate Foreign Relations Committee. They endorsed the importance of foreign assistance and bemoaned the decline of USAID, but did not agree on the creation of a Cabinet-level agency.

The next, the U.S. Commission on Helping to Enhance the Livelihoods of People (HELP Commission), proposed a new structure for the State Department, and, in two annexes, four of the Commissioners endorsed the creation of a new Cabinet-level Department of International Sustainable Development. InterAction has commented on the HELP Commission's recommendations: http://www.interaction.org/media/20071207-HELPReport.htm.

Also in its report, the Commission on Smart Power, organized by the Center for Strategic and International Studies (CSIS), underscored the importance of development: "The most sustainable rationale for global development over time is this: American leaders ought to commit to global development because it reinforces basic American values, contributes to peace, justice, and prosperity, and improves the way we are viewed around the world. Investing in development contributes to American security at home by promoting stability abroad. A U.S. government effort that promotes a positive relationship with the world's poor, their civil society institutions, and governments is in the interest of the American people." The Commission called for the creation of a "cabinet-level voice for global development." Its rationale for this position is strong: "Internally, a cabinet-level voice could bring greater coherence across the aid community and the entire U.S. foreign policy establishment and provide a sense of common purpose for development personnel in the U.S. government. Retention, recruitment, and training of experienced development staff are currently major challenges. Externally, a cabinet-level voice for global development would show a different American face to the world. Development as a theme concerned with the world's less fortunate and a process grounded in partnership helps to connect the United States to foreign populations." However, as with the HELP Commission, the Smart Power Commissioners did not agree on a specific model.

Finally, InterAction CEO Sam Worthington is part of a new Modernizing Foreign Assistance Network, a coalition of NGOs, think tanks, and foreign policy experts, which relased a proposal entitled, "New Day, New Way: U.S. Foreign Assistance for the 21st Century." That proposal recommends four specific actions: Develop a national strategy for global development; Reach a "grand bargain" between the Executive Branch and Congress on management authorities and plan, design and enact a new Foreign Assistance Act; Increase funding for and accountability of foreign assistance, and; Streamline the organizational structure and improve organizational capacity by creating a Cabinet-level Department for Global Development. The "New Day, New Way" proposal is available here: http://interaction.org/library/detail.php?id=6288

APPENDIX III.
Commission on Weak States and U.S. National Security, "On the Brink: Weak States and U.S. National Security," Center for Global Development, 2004

In 2004, the Center for Global Development formed a bipartisan panel of 30 former U.S. Government officials and members of Congress, representatives of academia, civil society, the private sector, think tanks and research centers as the Commission on Weak States and U.S. National Security. Their report recommended a Cabinet-level development agency:

> A new architecture must give development issues a single, strong voice at the Cabinet level; better coordinate the multiple agencies and entities that deliver foreign assistance; play a role in development and trade policy; establish a single, unified budget for development; and integrate strategies for countries and regions. Development policy is an increasingly important tool – it is more than just writing a check – and the United States needs to invest in developing the expertise and capacity to wield it effectively.
>
> For all these reasons, the Commission proposes that the administration establish an integrated development strategy and implement it within a single, Cabinet-level development agency.
>
> The new Cabinet department would not entail an expansion in bureaucracy but incorporate USAID, the Millennium Challenge Corporation, and some foreign assistance programs run by the Departments of State, Defense, Health and Human Services, and Agriculture. Of course, the United States will always deploy some economic assistance purely in support of diplomatic goals; resources for that purpose should remain in the State Department. In addition, although Treasury has been consistently effective in working with Congress to ensure appropriate U.S. leadership in the multilateral development banks, those activities ultimately should move from Treasury to the new development agency as well, if it is to meet the challenges we have outlined. Treasury should retain its strength on core economic issues and continue to be responsible for the IMF, giving it a leading role in guiding U.S. policy toward the international financial institutions. These significant changes would need to be codified in a new Foreign Assistance Act written to replace the outdated authorizing legislation that currently governs U.S. development activities.

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APPENDIX IV.
DGHD Role in Present U.S. Government Programs Funded by the 150 Account

The following table lists in the first column the accounts found in the administration's FY 2009 request for international affairs (150 Account). The second column lists which U.S. Government entity presently controls funding. The third column indicates what role the DGHD would have if such accounts continued to exist upon its creation.

Two caveats are in order. First, this table is not intended to suggest that this account structure would be optimal, or even appropriate, after the creation of the DGHD; to the contrary, any reform creating the DGHD also should rationalize and reduce the overall number of accounts. Second, it does not capture every activity discussed in this paper, since other international development activities receive funding from different departments, such as Defense, Labor, and Commerce, which are funded via other accounts in the Federal Budget.

Account	Present Control	Role of DGHD
Export-Import Bank of the United States	Ex-Im Board	Seat on Board
Overseas Private Investment Corporation	OPIC Board	Seat on Board
U.S. Trade and Development Agency	Independent agency	TDA Director reports to DGHD Secretary
Child Survival and Health Programs Fund	USAID	Lead
Development Assistance	USAID	Lead
International Disaster Assistance	USAID	Lead
Transition Initiatives	USAID	Lead
Development Credit Authority	USAID	Lead
USAID Operating Expenses	USAID	Abolish account
USAID Capital Investment Fund	USAID	Lead
USAID Foreign Service Retirement and Disability Fund	USAID	Lead
USAID Inspector General Operating Expenses	USAID	Lead
Economic Support Fund	Department of State	Coordinate with State
Assistance for Eastern Europe and the Baltic States	Department of State	Lead
Assistance for the Independent States of the Former Soviet Union	Department of State	Lead
Peace Corps	Independent agency	Coordinate with Peace Corps
Inter-American Foundation	Foundation Board	Seat on Board
African Development Foundation	Foundation Board	Seat on Board
Millennium Challenge Corporation	MCC Board	Replace State as lead
Global HIV/AIDS Initiative[1]	State	Lead
International Narcotics Control and Law Enforcement	State	Coordinate with State
Andean Counterdrug Program	State	Coordinate with State
Migration and Refugee Assistance	State	Lead
U.S. Emergency Refugee and Migration Assistance Fund	State	Lead
Nonproliferation, Anti-terrorism, Demining, and Related Programs	State	Coordinate, as necessary, with State
Treasury Technical Assistance and Debt Restructuring	Treasury	Coordinate with Treasury
Foreign Military Financing	State	Input to State on dev't implications on appropriate countries
Peacekeeping Operations	State	Input to State on dev't implications
International Military Education and Training	State	Input to State on dev't implications on appropriate countries
International Financial Institutions	Treasury	Shared coordination with Treasury
International Organizations and Programs	State	Coordinate with State on appropriate organizations and programs
P.L. 480 Title II (Food for Peace)	USAID	Lead
McGovern-Dole International Food for Education	Agriculture	Lead

1 [1]Provides much of the funding for the President's Emergency Plan for AIDS Relief (PEPFAR)

Revamping U.S. Foreign Assistance

by

HELP Commissioner Jeffrey D. Sachs
HELP Vice Chairman Leo Hindery, Jr.
HELP Commissioner Gayle E. Smith

December 10, 2007

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It was always our hope and intention to sign the final HELP Commission Report without expressing differences. However, while we agree with certain of that Report's comments and recommendations, we feel compelled to submit as well our personal views and recommendations in a separate report.

These additional views, therefore, reflect our overriding, primary conclusions regarding U.S. development assistance.

We submit this report on "Revamping U.S. Foreign Assistance" because we believe that the opportunities for bolder U.S. assistance to eliminate dire poverty and improve U.S. national and global security are much greater – and more urgent – than the full Commission's Report conveys. We also believe, notably, that the best way forward to seize these opportunities is through a new Cabinet-level Department for International Development.

While the HELP Commission was created by Congress to reflect on how best to deploy the tools of development assistance, we believe that the full Commission's Report does not sufficiently address this mandate. Nor does it, we feel, adequately make the case for foreign assistance, recommend sufficient funding for it, or sufficiently establish its stature and position within the United States Government.

Accordingly, in our additional views we make nine recommendations related to the structure of U.S. development assistance, to its financing and modernization, and to its role as a core pillar of national security and American moral values.

Summary of Conclusions

1) The U.S. should promote development assistance as a core pillar of national security and American moral values.

2) The U.S. should follow through on its oft-repeated commitments to the Millennium Development Goals.

3) U.S. Foreign Assistance should harmonize U.S. foreign policy commitments in development (such as support for the MDGs and goals adopted at G8 Summits) with the actual budgets and programs of U.S. development assistance.

4) U.S. political leaders should explain to the American people the international development objectives and commitments that have been made by the United States.

5) U.S. political leaders should explain to the American people the modest levels of U.S. development aid in comparison with spending on other pillars of U.S. security (notably Defense), with U.S. commitments, and with the spending of partner countries.

6) The U.S., in line with its own commitments and the actions of its development partners, should make concrete efforts to the target of 0.7 percent of GNP, and should aim to achieve that target by 2015.

7) The U.S. should support multilateral objectives and funding mechanisms in health, agriculture, infrastructure, education, and community development, balancing aid roughly half and half in bilateral and multilateral initiatives.

8) The U.S. should establish a new separate Cabinet-level Department of International Sustainable Development.

9) The U.S. should use the full range of development instruments, including development assistance, trade opening (such as AGOA and a successful Doha Round), aid for trade, and partnerships with civil society.

Foreign Assistance and U.S. Security

The 2006 National Security Strategy of the United States explains the rationale of development assistance. "America's national interests and moral values drive us in the same direction: to assist the world's poorest citizens and least developed nations and help integrate them into the global economy ... Development reinforces diplomacy and defense, reducing long-term threats to our national security by helping to build stable, prosperous, and peaceful societies."[1] In the context of national security, we should view development as one of the three main pillars, along side diplomacy and defense.

[1] The United States National Security Strategy 2006 pp 32-33 Available online at http //www.whitehouse gov/nsc/nss/2006/index html

This rationale has been recognized in U.S. foreign policy doctrine for sixty years. The Marshall Plan effort to rebuild Europe after World War II defined development assistance as a critical tool to support the building of stable, prosperous, and peaceful societies. As General George Marshall explained in 1947, in launching the Marshall Plan:

> It is logical that the United States should do whatever it is able to do to assist in the return of normal economic health in the world, without which there can be no political stability and no assured peace. Our policy is directed not against any country or doctrine but against hunger, poverty, desperation and chaos. Its purpose should be the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist Such assistance, I am convinced, must not be on a piecemeal basis as various crises develop. Any assistance that this Government may render in the future should provide a cure rather than a mere palliative.[2]

President John F. Kennedy made a similar pledge in his Inaugural Address in 1961:

> To those peoples in the huts and villages across the globe struggling to break the bonds of mass misery, we pledge our best efforts to help them help themselves, for whatever period is required – not because the Communists may be doing it, not because we seek their votes, but because it is right. If a free society cannot help the many who are poor, it cannot save the few who are rich.[3]

Similarly, in launching the new Millennium Challenge Account initiative on March 14, 2002, President George Bush said the following:

> This growing divide between wealth and poverty, between opportunity and misery, is both a challenge to our compassion and a source of instability. We must confront it. We must include every African, every Asian, every Latin American, every Muslim, in an expanding circle of development. The advance of development is a central commitment of American foreign policy. As a nation founded on the dignity and value of every life, America's heart breaks because of the suffering and senseless death we see in our world. We work for prosperity and opportunity because they're right. It's the right thing to do. We also work for prosperity and opportunity because they help defeat terror. Poverty doesn't cause terrorism. Being poor doesn't make you a murderer Most of the plotters of September the 11th were raised in comfort. Yet persistent poverty and oppression can lead to hopelessness and despair. And when governments fail to meet the most basic needs of their people, these failed states can become havens for terror.[4]

These observations, stretching over six decades, find ample support in the scientific literature and historical data. Poverty is a key factor in global instability Poor countries are vastly more likely to fall into civil violence, state failure, and international conflict, than are richer states. This finding is thoroughly documented, among other places in the reports of the CIA Task Force on State Failure. And as President Bush rightly noted, the link of poverty and terror rests not with the individual

[2] General George Marshall, Speech at Harvard University, June 5, 1947
[3] John F. Kennedy, Inaugural Address, January 20, 1961
[4] George W Bush, Remarks on Global Development, Inter-American Development Bank, March 14, 2002

terrorist, but with the fact that failed states become havens for terror, as has occurred in Afghanistan, Somalia, and many other countries.

The data have recently been summarized in a highly commendable collection of essays, *Too Poor for Peace?*, published by the Brookings Institution (2007). The editors of that volume, Dr. Lael Brainerd and Dr Derek Chollet, summarize the findings as follows:

> In a world where boundaries and borders have blurred, and where seemingly distant threats can metastasize into immediate problems, the fight against global poverty has become a fight of necessity – not simply because personal morality demands it, but because global security does as well. Extreme poverty exhausts governing institutions, depletes resources, weakens leaders, and crushes hopes – fueling a volatile mix of desperation and instability. Poor, fragile states can explode into violence or implode into collapse, imperiling their citizens, regional neighbors, and the wider world as livelihoods are crushed, investors flee, and ungoverned territories become a spawning ground for global threats like terrorism, trafficking, environmental devastation, and disease.[5]

One of the scientific teams in the volume, led by Prof. Ted Miguel of the University of California, reached the following conclusion: "The most obvious reading of these findings is that economic factors [poverty and low economic growth] trump all others in causing African civil conflicts, and that institutional and political characteristics have much less of an impact."[6]

Recently, Dean Kenneth E. Warner of the University of Michigan School of Public Health eloquently pointed to another dimension linking development aid and security:

> We live in an era in which our country employs military might in a thus-far strikingly unsuccessful effort to encourage the emergence of democracies around the world. Might we not win far more hearts and minds, and promote democracy far more effectively, by demonstrating that the richest nation is also the most compassionate and generous, that we care about the welfare of our neighbors?[7]

Overall progress in economic development

In the broadest terms, the efforts to promote economic development around the world during the past fifty years have been highly successful, with the notable exception of large parts of sub-Saharan Africa which remain trapped in extreme poverty The biggest development successes have come in Asia, a vast region with more than half of the world's population. Economic growth in China, India, Korea, and many other countries, and public investments in health, education, and infrastructure, have powered the most rapid improvement in living standards in world history. Aid has played an enormous role in those gains. The fact that Asia can feed itself is due in no small part to the Green

[5] Lael Brainard, and Derek Chollet, eds. *Too Poor for Peace? Global Poverty, Conflict, and Security in the 21st Century* Washington, D C Brookings Institution Press, 2007, p 1
[6] Edward Miguel, "Poverty and Violence," in Lael Brainrard and Derek Chollet, eds . *Too Poor for Peace? Global Poverty, Conflict and Security in the 21st Century* Washington, D C Brookings Institute Press, 2007, p 55
[7] Kenneth E Warner, *Findings*, University of Michigan School of Public Health, Fall/Winter 2006

Revolution which began in the 1960s, heavily supported by the U.S. public and philanthropic sectors. The fact that disease burdens have come down sharply is due in important part to global aid successes such as smallpox eradication, widespread immunization coverage, malaria control (outside of Africa), and the uptake of oral re-hydration to fight death from diarrhea. The fact that population growth has slowed markedly is a success of aid-supported family planning efforts which the U.S helped to initiate since the 1960s. The fact that countries like Korea, Malaysia, and Thailand became manufacturing successes results from U.S and Japanese aid for core infrastructure and technological upgrading.

These successes, while most dramatic in Asia, are also part of the recent history of Latin America, the Middle East and North Africa (MENA) Life expectancy and literacy are on the rise. Child mortality rates have declined. Fertility rates, which determine overall population growth rates, have declined markedly. Americans can take great pride in their contribution to many of these successes.

The fact is that globalization, supported judiciously by international development assistance, is an overall success There is progress in reducing extreme poverty, mortality rates, and hunger, in most of the world. The biggest challenges are now concentrated in a much smaller part of the world, with the epicenter of the world's development challenge in sub-Saharan Africa and selected parts of Central Asia and Latin America. It is not an accident that development is coming last to these remaining regions, since they face the toughest problems in the world: high disease burdens, poor infrastructure, landlocked regions far from trade, and vulnerability to droughts and other hazards Fortunately, these problems are susceptible of solutions, given the wind in the sails of the global economy and given the power of modern technologies to address the challenges of disease, food production, and economic isolation.

Development Assistance as a Tool in Promoting Economic Development

There is now sixty years of experience in deploying development assistance as a tool in promoting economic development in low-income settings. Development aid has long been a mix of public and private contributions. When aid is from the public sector, it is known as Official Development Assistance (ODA). Both ODA and private assistance have played an important and successful role in development. Many of the greatest successes in development assistance in the past 6 decades have come through Public-Private Partnerships (PPPs), which typically link ODA with private-sector and philanthropic leadership of various kinds. The Green Revolution in India was spurred by such a partnership. Of course, aid has worked in conjunction with market forces, and most importantly international trade and investment, which have spread the benefits of advanced technologies to all corners of the world

The special role for ODA has been extremely well described in the Monterrey Consensus, a 2002 agreement among the world's nations which the U.S. strongly supports and repeatedly backs. President Bush, indeed, made the following pledge: "Together we will implement the Monterrey

Consensus, lift all our nations, and show the world that free societies and free markets can deliver real benefits to our citizens."[8]

The Monterrey Consensus is notable in recognizing the inter-connections among private capital flows, international trade, and ODA. All are vital to economic development of the poor countries. Rather than pitting trade versus aid, the Monterrey Consensus explains why trade and aid are both vital and complementary, and indeed why aid is vital to supporting trade competitiveness of the poorest countries. The Monterrey Consensus therefore contributed to the new concept of "aid for trade," in which ODA is used to help poor countries to improve their international trade, mainly by building the infrastructure (roads, ports, power) needed to support trade.

Here is how the Monterrey Consensus described the critical role of ODA:

> Official development assistance (ODA) plays an essential role as a complement to other sources of financing for development, especially in those countries with the least capacity to attract private direct investment. ODA can help a country to reach adequate levels of domestic resource mobilization over an appropriate time horizon, while human capital, productive and export capacities are enhanced. ODA can be critical for improving the environment for private sector activity and can thus pave the way for robust growth. ODA is also a crucial instrument for supporting education, health, public infrastructure development, agriculture and rural development, and to enhance food security. For many countries in Africa, least developed countries, small island developing States, and landlocked developing countries, ODA is still the largest source of external financing and is critical to the achievement of the development goals of the Millennium Declaration and other internationally agreed development targets.[9]

The Monterrey Consensus also rightly stressed the interconnections of good governance within the poor countries and increased official development assistance from the high-income countries. As President Bush described it at the 2005 World Summit, the Monterrey Consensus reflects a compact between rich and poor countries, linking good governance and official development assistance:

> We have a moral obligation to help others – and a moral duty to make sure that our actions are effective. At Monterrey in 2002, we agreed to a new vision for the way we fight poverty, and curb corruption, and provide aid in the new millennium. Developing countries agreed to take responsibility for their own economic progress through good governance and sound policies and the rule of law. Developed countries agreed to support those efforts, including increased aid to countries that undertake necessary reforms .. More needs to be done. I call on all the world's nations to implement the Monterrey Consensus.[10]

[8] George W. Bush, Remarks at Inauguration Ceremony of the Special Summit of the Americas, January 12, 2004
[9] The Monterrey Consensus of the International Conference on Financing for Development. Available Online at: http://www.un.org/esa/sustdev/documents/Monterrey_Consensus.htm
[10] George W. Bush, Addresses United Nations High-Level Plenary Meeting, United Nations Headquarters, September 14, 2005

U.S. Commitments to Economic Development and Poverty Reduction

The United States has long recognized that it can not and should not carry the development financing burden on its own. Support for economic development in the poorest countries must be a shared global effort, based on agreed targets. The United States must contribute its share but must be able to rely on other development partners as well. Indeed, the U.S. national interest is best served when U.S. funding helps to leverage financing from others in pursuit of common goals. Other countries view the situation in the same light.

For these reasons, the U.S. and partner countries have agreed on shared global goals for several decades. Great successes have been achieved in disease control, increased food production, the spread of literacy and numeracy, increased school enrollments, improved infrastructure, and many other core development objectives. By far the most important of these today are the Millennium Development Goals (Table 1), adopted by all nations in the Millennium Declaration of the year 2000 and re-confirmed regularly since then, including at the G8 Summits. President Bush conveyed the U.S. commitment to the Millennium Development Goals directly to more than 100 world leaders on the occasion of the 2005 World Summit:

> To spread a vision of hope, the United States is determined to help nations that are struggling with poverty. We are committed to the Millennium Development Goals. This is an ambitious agenda that includes cutting poverty and hunger in half, ensuring that every boy and girl in the world has access to primary education, and halting the spread of AIDS -- all by 2015.[11]

The Millennium Development Goals (MDGs) are a very important instrument for effective U.S. development assistance for several reasons:

- The world has agreed to the goals and reconfirmed that support each year since 2000
- The world has agreed to a trade and financing framework in the Monterrey Consensus
- The MDGs address extreme poverty in all its interconnected dimensions: income, hunger, disease, deprivation
- The MDGs promote long-term economic growth and wealth creation by encouraging countries to focus on productive investments to end the poverty trap
- The MDGs are ambitious and yet achievable
- The MDGs are quantitative and time bound, therefore offering objective indicators of success and accountability

In addition to the Millennium Development Goals, the U.S. has joined the other G8 nations in committing to other bold and achievable development targets, often under the overall umbrella of the MDGs. Other development goals reiterated at the G8 2005 Summit in Gleneagles, Scotland, and the 2007 Summit in Heiligendamm, Germany include:

- Universal access to HIV prevention, treatment, and care, including anti-retroviral medicines

[11] George W. Bush, Addresses United Nations High-Level Plenary Meeting, United Nations Headquarters, September 14, 2005.

for all who need them, by the year 2010
- Eradication of polio
- Strengthening health systems so that health care, especially primary health care, can be provided on a sustainable and equitable basis
- Reduction of malaria mortality by at least 50 percent and at least 85 percent coverage of the most vulnerable groups with effective prevention and treatment measures
- Universal access to free and compulsory primary education of good quality by 2015 in Africa
- Universal access of children to basic health care (free wherever countries choose to provide this)
- Global TB control in line with the needs identified by the Stop TB Partnership
- Aid for trade, including physical, human, and institutional capacity building

It is occasionally said that objectives such as the MDGs or disease control are distinct from objectives to promote wealth creation and economic growth. We emphasize here that this is not the case. Achieving the MDGs and achieving long-term economic growth require the same policy focus, including increased investments in the core infrastructure (roads, power, and connectivity), health and skills of the labor force, and improvements in the business environment (transparency, macroeconomic stability, ease of doing business, and a vibrant financial sector). The fight against extreme poverty and the challenge of long-term economic growth and wealth creation go hand in hand

Current Levels of U.S. Official Development Assistance

Though development, defense, and diplomacy are the three pillars of U.S. national security, the current investments in national security are almost entirely in the direction of defense spending. Today's under-investment in development is palpable and dangerous. The need for increased development aid has been acknowledged repeatedly by the U.S. Government in recent years, though not yet acted upon satisfactorily by the Administration and Congress.

While there a many ways to calculate the precise budgetary outlays in regard to defense, diplomacy, and development, a straightforward approach is as follows. Defense spending embraces military outlays (Department of Defense), homeland security outlays (Department of Homeland Security), and selected outlays of the State Department (military outlays) Diplomacy includes outlays for diplomacy of the Department of State other than those classified as Official Development Assistance and military support. Development outlays include all spending that is classified as ODA by the agreed standards of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD).

Figure 1 shows the lop-sided nature of U.S security policy. One pillar of the three, defense, receives 95 percent of the total outlays in FY07. Diplomacy is funded at 1.5 percent of total outlays and development is funded at just 3.5 percent of total outlays In dollar terms, the defense spending was $611 billion in 2007 (comprised of $549 billion by the DOD and $50 billion by DHS, plus other

small amounts). Diplomacy may be estimated at around $9 billion. Development assistance may be estimated at $22.7 billion.

The relatively low level of development spending is an enormous surprise to most Americans. Repeated survey data have shown that Americans overestimate the level of official development assistance by a factor of roughly 30 to 50 times On average, Americans estimate in surveys that the United States Government spends one quarter of the budget on foreign aid and roughly 5 percent of U S. national income. The actual fact is that official development assistance constituted 0.8% of the Federal Budget in FY 2006, and just 0 17% of national income.

The allocation of official development assistance is equally important U.S aid is divided between "bilateral" aid, given by the U.S Government directly to other countries, and multilateral aid, given from the U.S. Government to international organizations such as the World Bank, the African Development Bank, and the Global Fund to Fight AIDS, TB, and Malaria Most of the bilateral aid falls within the USAID budget, which came to $9.2 billion in the FY06 budget. Roughly 82 percent of U.S. aid goes through bilateral channels, while the balance of 18 percent goes through multilateral institutions

The bilateral aid may be categorized by function or by region. USAID makes a five-way classification of bilateral aid,[12] with the approximate budget shares shown for each category shown.[13]

Strategic States	33%
Humanitarian Assistance	19%
Reduce Fragility	8%
Global Issue	18%
Transformational Development	24%

Support for "strategic states" is mainly support for U.S. allies in the "global war on terror" and/or countries in the Middle East. The Economic Support Fund (ESF) is the largest source of outlays for the strategic states. As described by USAID, "[t]he Economic Support Fund (ESF) supports U S. foreign policy objectives by providing economic assistance to allies and countries in transition to democracy, supporting Middle East Peace negotiations, and financing economic stabilization programs."[14] The lion's share of these funds ($3.2 billion in FY07) goes to the Middle East ($1.6 billion), Pakistan ($350 million), and Afghanistan ($610 million). Emergency appropriations for Iraq and Afghanistan (as part of the Emergency Funding for the Global War on Terror) were an additional $5.6 billion.

Humanitarian assistance is for immediate needs in the wake of natural disasters, conflicts, and violence. Global issues include HIV/AIDS. The support for HIV/AIDS comes mainly in the Emergency Plan for AIDS Relief (PEPFAR), which totaled around $2 6 billion in FY07. Aid for "fragile states" is support for stabilization, security, and reform in countries with weak governance and instability.

[12] United States Agency for International Development (USAID), Policy Framework for Bilateral Foreign Aid, January 2006
[13] Summing to more than 100% due to rounding error
[14] United States Agency for International Development (USAID), Budget Justification to Congress, 2007 Available online at http //www usaid.gov/policy/budget/cbj2007/

"Transformational development" is the assistance category directed at long-term poverty reduction and some aspects of disease control. Distressingly, it amounts to only around one-quarter of the overall bilateral aid, meaning that the vast bulk of aid is for emergencies and U.S. political aims, rather than for the objectives that are most effectively served by official development assistance. long-term economic development Transformational development includes Child Survival and Health ($1.5 billion), Development Assistance ($1.5 billion), the Millennium Challenge Corporation ($1.1 billion), and the Peace Corp ($300 million) The sum of these long-term development programs was $4.4 billion in FY07.

Since sub-Saharan Africa is the epicenter of the world's economic development challenge, and faces the biggest challenge of all regions to meet the Millennium Development Goals, it is important to understand the U S budgetary outlays for long-term development in sub-Saharan Africa. Official Development Assistance for Africa in FY06 came to around $3 billion, with the categories shown in Table 2. Let us put this $3 billion in perspective: There are approximately 800 million people in sub-Saharan Africa, and therefore *U.S bilateral aid to Africa totals approximately $4 per African per year*

A historical perspective on U.S. ODA

One of the reasons that Americans grossly overestimate the levels of U.S. ODA is that ODA as a share of U.S national income has declined markedly over the past half century At the time of the Marshall Plan, U.S. ODA exceeded 1 percent of U.S. GNP. By the early 1960s, ODA had declined to around 0 5 percent of GNP It continued to decline through the 1990s, reaching a nadir of just 0.1 percent of GNP by the year 1999. It has subsequently increased slightly to around 0.17 percent of GNP in 2006, less than one-fifth of one percent of national income. (Figure 2)

Americans also tend to misunderstand how development aid has been allocated across different regions of the world. Consider again the level of aid given to Africa over the past 50 years. It is widely assumed by the public that the U.S has given vast quantities of assistance to Africa for half a century yet with poor results. This has contributed to a pervasive skepticism about aid, on the ostensible grounds that aid has failed to deliver development results. In fact, aid to all of sub-Saharan Africa during 1961 to 2005 (in constant $2005 dollars) has totaled a mere $72.8 billion, about half of what we will spend in the Iraq and Afghanistan War this year alone. One third of the total, $24.4 billion, was in the form of food aid, which is not long-term development assistance. Total aid minus the cost of food aid was $48.4 billion, for a region that averaged 450 million inhabitants during this time period. This comes to an average of $2.50 per African per year, as shown in Figure 3

By contrast, aid has been large to the Middle East. During 1961-2005, economic assistance to the Middle East and North Africa totaled $147 billion. Most of this went to Israel, Egypt, Jordan, and Palestine, which received $92 billion in aid (minus food aid), almost twice the amount to all of sub-Saharan Africa. The cumulative aid to Israel, net of food aid, equaled $48 billion, the very same as aid to all of sub-Saharan Africa. Since Israel's population is around one-hundredth of Africa's, the per capita aid was roughly one hundred times that of Africa, averaging $242 per person per year.

The regional breakdown of all aid during 1961-2005 is shown in Figure 4 Of the $548 billion that can be allocated to specific regions (i e. excluding multilateral aid, administrative costs of USAID, and other aid not allocated by region), Asia received the largest total, at $172 billion. The Middle East and North Africa was second, at $147 billion. Latin America was third, at $96 billion. Africa was fourth, at $72 billion. Europe (East and West) and Eurasia (the former Soviet Union), came fifth, at $61 billion

Total economic assistance pales in comparison with the spending on the military. Total U.S. economic assistance, including food aid, during 1961 to 2005 to all countries totaled $755 billion (in constant 2005 dollars). During that same period, total spending by the Department of Defense came to $17 trillion (in constant 2005 dollars).

A comparative perspective on U.S. ODA

The U.S. is the largest aid donor, as shown in Figure 5(a), but this is hardly surprising since the U S. is also by far the most populous donor country, with a 2006 population of 299 million, compared with 128 million in Japan, 83 million in Germany, 60 in the United Kingdom, 63 in France, 9 in Sweden, and 5 in Norway. In per capita terms, Norwegians average $629 per person in aid, while Americans average $76 per person. In terms of ODA as a share of GNP, the U.S is second to last, just ahead of Greece, as shown in Figure 5(b).

For purposes of global burden sharing, ODA is assessed as a share of each donor's GNP. Since 1970, most donor countries have pledged to achieve the target of 0.7 percent of GNP as ODA, and reiterated that pledge many times. Only five countries – Denmark, Luxembourg, Netherlands, Norway and Sweden – have consistently achieved or exceeded that goal All of the other 17 donors in the Development Assistance Committee of the OECD have fallen short despite their adoption of the target. The United States signed up to the target in the Monterrey Consensus in 2002, when it joined the rest of the world in the following pledge.

> [W]e urge developed countries that have not done so to make concrete efforts towards the target of 0.7 percent of Gross National Product (GNP) as official development assistance (ODA) to developing countries .. [15]

Following the Monterrey Conference, most donor countries set a specific timetable to achieve the 0.7 percent target. Donors in the (pre-enlargement) European Union agreed to achieve at least 0.51 percent of GNP as ODA by 2010 and 0.7 percent of GNP as ODA by 2015. The United States, despite its strong and repeated support for the Monterrey Consensus, has not yet made concrete efforts to achieve the target of 0.7 percent of GNP.

[15] The Monterrey Consensus of the International Conference on Financing for Development Available Online at http://www.un.org/esa/sustdev/documents/Monterrey_Consensus.htm

Private Development Assistance

The choice of 0 7 percent as the target for ODA has an explanation which remains very relevant today. During the 1960s, the idea took hold in various forums that the rich countries should support the poor countries with an annual transfer of 1 percent of national income. This in turn was to be divided between ODA, targeted at 0.7 percent, and aid from private donors, targeted at 0.3 percent. The 0.7 target was supported by the Pearson Commission (led by Nobel Laureate and Canadian Prime Minister Lester Pearson), and subsequently adopted by the General Assembly the following year.

While a few donor governments have achieved the 0.7 target, no donor country's private sector has come close to achieving the 0.3 percent of GNP target for private development assistance. Many Americans believe that the low level of U.S ODA is offset by a uniquely high level of U.S. private aid as a share of GNP. This is, alas, not the case. The OECD DAC measures the magnitude of development assistance by non-governmental organizations (NGOs). While the data are incomplete and imperfect, the overall message is unequivocal. As shown in Table 3, for an average of 2004-5, NGO giving is less than 0.1 percent of GNP in all donor countries. U.S. NGO giving is on the high end, at an estimated 0.06 percent of GNP ($8.4 billion in 2005) Nonetheless, U S total giving as a share of GNP, summing the public and private aid, remains near the bottom of the donor rankings, with a combined share of around 0 26 percent of GNP in 2004-5 (0.20 official plus 0.06 private).[16]

Other resource flows to developing countries

Development flows, both official and private, are certainly not the only sources of financial capital to developing countries. Private capital flows in search of profits – both portfolio investment and foreign direct investment (to achieve a controlling interest abroad) – are important for global development, and provide critical benefits both for the United States and recipient countries. It is often said that development assistance is passé since private flows now swamp official flows. This fact does not make ODA obsolete The private capital flows are heavily concentrated in middle-income countries and in low-income countries with high-value natural resources such as hydrocarbons, minerals, or precious metals. Private capital flows bypass the world's poorest countries, since those countries lack the basic infrastructure of roads, power, ports, clinics, and schools, needed to attract private investments in the first place. As the Monterrey Consensus spelled out, ODA is vital for those

[16] The Hudson Institute identifies much larger estimates of private giving in its Index of Global Philanthropy, specifically around $30 billion per year, broken down as follows Private Voluntary Organizations (PVOs), $13 4 billion, faith-based groups, $5 4 billion, universities and colleges, $4 6 billion, U S foundations, $2 2 billion, and American corporations, $5.1 billion However, there is strong reason to believe that these estimates do not reflect true development assistance. With regard to the PVO estimate, for example, while it attempts to cover international projects, it does not distinguish between development-oriented activities and other activities In turn, the estimate of development aid from faith-based groups is without explanation of the development activities covered or of the services delivered by religious groups The estimate for university giving is based on purported values of scholarships to foreign students in the U S from developing countries regardless of country of origin or personal means – yet notably, only 6 percent of the students are from the poorest continent, Africa. Finally, the estimate of corporate giving is dominated by a non-credible estimate of $4.2 billion of in-kind donations by U S. pharmaceutical companies, with no verification that the stated values of the donated products are not simply the patent-protected market prices in the U S , even though, through generics producers, they may be available to recipient countries at a small fraction of the patent prices

countries, not only to save lives and keep children in school, but also to prepare the groundwork for future private capital flows. In this sense, ODA is complementary to private flows, and must generally precede private flows into impoverished regions.

Similar points can be made about trade. An open trading system is essential for economic development, including among the poorest countries. Developing countries need to import technology from abroad, and must pay for that technology through their own exports. For this basic reason, export-led growth has been vital for economic success in recent decades. To achieve export-led growth, poor countries need to maintain relatively open trading systems (with low to moderate tariffs, and convertible currencies), and rich countries including the U.S. have to keep their own borders open the exports of the poor countries

However, trade reforms can not substitute for official development aid. A recent World Bank paper (2006) calculated the potential gains of a successful Doha Round for several regions of the world.[17] Of an estimated total worldwide gain of $119 3 billion per year in a successful (and ambitious) Doha scenario, the regional breakdown of benefits is as follows ($ billion):

High-income countries	$96.4
Developing countries (total)	$22.9
with East Asia	$5.5
South Asia	$4.2
Latin America	$9.2
Sub-Saharan Africa	$1.2
Other	$1.8

The gains to the poorest regions, and notably to Africa, are very small. The biggest gains are achieved by the biggest traders: the developed countries and the middle-income developing countries. The barriers faced by Africa in achieving increased exports lie mainly in the lack of their own competitiveness, rather than in the barriers in the rich-country markets African exports are limited to a few commodities (such as hydrocarbons, diamonds, copper, iron ore, cotton, coffee, tea, and cocoa) mainly because these countries are not competitive in manufactures The lack of manufacturing competitiveness relates mostly to poor infrastructure (especially roads, power, and ports) and the lack of requisite skills, areas that can be rectified through ODA This basic fact justifies the concept of "aid for trade," in which ODA to finance export-promoting infrastructure serves as a springboard for improved long-term export competitiveness.

A final category of financial flows from the U.S to the developing countries is remittances Remittances are not aid since they represent the hard-won earnings of typically poor migrants working in the United States, Europe, and the Middle East. Yet they can boost source-country incomes and wellbeing. The largest proportion of remittances from the U.S. goes to the Caribbean and Central America. The African share of remittances is small. Worldwide, remittances to Africa are a meager

[17] Kym Anderson et al , "Doha Merchandise Trade Reform: What's At Stake for Developing Countries," World Bank Policy Research Working Paper 3848, February 2006.

4 percent of the total, around $6 billion in 2005, and half of that total is accounted for by South Africa, Lesotho (remittances from South Africa), and Nigeria [18] Remittances are no substitute for development assistance to the poorest countries.

Public support – and confusion – regarding development assistance

The American people are understandably confused about foreign assistance, since they hear so little about it from the President and Congress. Americans broadly support effective and large-scale development assistance, yet they also grossly overestimate the actual amount of aid given by the U.S. overall, and to Africa specifically. Since they overestimate the aid, they also assume that much of the (non-existent) aid is being stolen. Americans also fail to realize that most of what is now called "aid" is actually support for geopolitical objectives in the Middle East rather than aid directed at the poorest countries for development purposes

The Program on International Policy Attitudes (PIPA) at the University of Maryland has been tracking public opinion on development assistance for many years.[19] Americans consistently perceive that foreign assistance spending is around 20 percent of the Federal Budget, when it is in fact around 1 percent! They would actually like it to be 10 percent of the budget. We are thus in the paradoxical situation where the public would like to "cut" aid from an imagined 20 percent of the budget to "only" 10 percent, a level that would in fact constitute a tenfold increase over the actual level of aid. Interestingly, Americans strongly support aid to cut hunger and poverty, and accord that kind of aid much more support than aid to "countries important to U.S. Security."

What works and what doesn't work with ODA

The discussion on aid effectiveness is clouded by confusions, prejudices, and simple misunderstandings. Many studies try to find a correlation between overall aid and economic growth, and when they find little positive correlation, they declare aid to be a failure. Yet the low correlation does not prove that aid is failing, since much of the aid is directed to countries in violence, famine, or deep economic crisis. It is not a surprise, therefore, that aid is often correlated with "economic failure," not because aid has caused the failure but rather because aid has responded to it.

We need a much more sophisticated approach than the standard simple correlations to judge the effectiveness of aid. We need to assess the goals of specific aid programs and whether those goals are fulfilled. Did the food aid stop starvation? Did immunizations save lives or eradicate diseases? Did infrastructure spending on roads and ports help to generate new employment in new industries? Did aid for schooling raise enrollments, completion rates, and literacy? Did farm aid increase the productivity of farms? When examined in detail, a large number of aid programs have been extraordinarily successful, and for reasons that can be understood and then replicated.

[18] Sanjeev Gupta et al , "Impact of Remittances on Poverty and Financial Development in Sub-Saharan Africa," IMF Working Paper WP/07/38, February 2007

[19] PIPA, "Americans on Foreign Aid and World Hunger," February 2, 2001, and PIPA, "New Poll Shows American Public Supports Stronger Engagement with Africa," January 2003 Both available online at http://www.worldpublicopinion.org/pipa

Another massive confusion in the public debate is the sense that vast amounts have been spent and that no development has resulted. We have seen that this view is doubly incorrect On the one hand, aid has not been vast, at least in comparison with national incomes, the population of recipient countries, and spending on other areas of concern (e.g., defense). This is especially the case regarding Africa, a region that is regularly maligned for alleged mismanagement of aid yet regularly neglected in actual aid flows. On the other hand, there has been vast development success internationally, with stunning increases in average incomes, life expectancy, child survival, literacy, school completion rates, and other gains, in most parts of the world.

Yet another confusion results from the fact that we regularly overload our development assistance to try to accomplish too many things, especially things not well suited for development aid. It is notable, for example, that one-third of US development aid is currently directed to "strategic nations," especially in the Middle East, rather than to the world's poorest nations which need help to escape from poverty. We use our aid to buy allies, directly or indirectly finance the war on terror (e.g. by freeing-up budgets of allies so that they can increase their military outlays), create peace between Israel and Palestine, fight drug trafficking in the Andes and Afghanistan, and more. In the 1960s through 1980s, we wanted aid to help finance the Cold War, and often gave vast sums to thugs and dictators such as Mobutu Sese Seko of Zaire, for this ostensible aim.

When we look at success stories of official development assistance, however, we find that aid is most successful when it is indeed used for development assistance. In other words, the tool of official development assistance truly is a *development* tool It can help with politics, good will towards the U.S., and even democratization in the recipient countries, but only indirectly, by enabling poor countries to escape from extreme poverty and therefore to escape from the chronic instabilities that accompany extreme poverty.

Here are several great success stories of development assistance.

The Asian Green Revolution. During the 1950s and 1960s, the Rockefeller Foundation and then other donors spurred the development of high-yield seed varieties and new techniques for modernized farming. USAID helped to finance the rapid uptake of these new technologies, including the seeds, fertilizer, and irrigation. Dramatic successes were achieved in the 1960s in India and Pakistan, and later in China, Southeast Asia, and other parts of the developing world.

Smallpox eradication. In 1967, the World Health Organization (WHO) established the Smallpox Eradication Unit, and launched a donor-supported worldwide campaign to eradicate the disease By 1980, WHO declared the world free of smallpox.

Family Planning. During the 1960s, the U.S. Government and foundations launched a global effort to spread access to modern contraception, based on individual voluntary choices. The uptake of these contraceptive methods, supported by international and U.S. funding, has been widespread (though still largely bypassing sub-Saharan Africa). As a result of these actions, together with declining child mortality rates, spreading literacy, and broader economic trends, fertility rates and population growth rates have declined sharply throughout most of the developing world.

Campaign for Child Survival. In 1982, UNICEF launched a campaign for child survival, based on the powerful combination known as GOBI. growth monitoring of children, oral re-hydration therapy, breastfeeding for nutrition and immunity to infectious diseases, and immunizations against childhood killers. Backed by development assistance, the package enjoyed a remarkably rapid uptake, enabling many of the poorest countries to reach at least 80 percent immunization coverage.

The Global Fund to Fight AIDS, TB, and Malaria. After years of international neglect and under-financing, international donors agreed to step up their actions to fight three killer pandemic diseases: AIDS, TB, and malaria. At the urging of then-UN Secretary General Kofi Annan, they formed a new global fund, to pool their resources and invite countries to formulate national strategies that would be backed by development aid. In a short period of five years, the Global Fund has successfully financed the access of more than 1 million HIV-infected individuals to antiretroviral medicines; the distribution of more than 30 million bed nets, mainly in Africa; and the treatment of more than 2 million individuals for TB.

There are countless other development success that could be described at length. The malaria control programs pioneered in the 1950s and 1960s achieved sustained successes outside of Africa. Other infectious diseases, such as African River Blindness (onchocerciasis), leprosy, and schistosomiasis, have been brought partially under control Polio is on the verge of eradication, through a public-private partnership of Rotary International, the WHO, and many bilateral and multilateral donors. Major improvements in nutrition have been achieved throughout the world through iodized salt and vitamin A supplementation, both of which have been supported by official development assistance. School attendance has soared in recent years as a result of donor programs, with remarkable successes for example in East Africa. Economic development has been spurred by the construction of industrial zones and supportive infrastructure (roads, ports, power, and rail), backed by official development assistance. Japan's development aid, for example, was highly effective in helping countries in Southeast Asia to gain competitiveness in manufacturing exports.

There are six crucial lessons in these development success stories:

First, the interventions are based on a powerful, low-cost technology The main underlying force of economic development is technological advance. It is not surprising, therefore, that successful development assistance typically involves the diffusion of a powerful technology, such as high-yield seeds, immunizations, modern contraception, or internet connectivity

Second, the interventions are relatively easy to deliver, based on an expert-systems and local ownership. Modern technologies are embodied in systems. Vaccinations, for example, are delivered on a specific timetable for young children. High-yielding seeds are deployed in specific packages of farm inputs (e.g., combinations of seed, fertilizer, irrigation, and agricultural extension) The key to success is to deploy the technology in a system that is evidence based, scientifically sound, administratively feasible, and tailored to local conditions

Third, the interventions are applied at the scale needed to solve the underlying problem. The key to success of the earlier examples was not the demonstration of the underlying technology, but rather the deployment of the technology at a scale to make a difference. Typically, once the technology is known, and once the expert system has been identified, rapid scale up is possible, building on global strategies and local adaptation and support.

Fourth, the interventions are reliably funded. All of the success stories involve budget outlays over a period of many years, so that participating countries can be confident of sustained financing, and therefore can build institutional systems and provide training and capacity building

Fifth, the interventions are multilateral, drawing support from many governments and international agencies. The greatest development challenges – extreme poverty, hunger, disease, lack of infrastructure – are beyond the financing capacity of any single donor country. Moreover, a unified effort is more efficient than a congeries of small and disparate projects, at least once the technologies and delivery mechanisms have been developed.

Sixth, the interventions had specific inputs, goals, and strategies, so that success rates could be assessed. All of the success stories had clear strategies (e.g., coverage rates of immunizations, hectares planted with high-yield seeds, and timely isolation of smallpox outbreaks) They did not directly aim for excessively broad and overarching goals – such as "economic growth," or "rule of law," or "democracy" or "end of terror" – though broad goals such as these were among the indirect and long-term objectives that motivated the programs in the first place. The programs worked on much more specific objectives, which could be measured, audited, evaluated, and re-assessed as needed.

These six specific points all come down to one overarching point be practical when deploying development aid. Understand the targeted inputs, the outputs, the financing, and the objectives.

Promoting Good Governance through Official Development Assistance

Official development aid is not an effective instrument to overturn governments, end authoritarian regimes, or ensure strategic alliances. The amounts are too small to determine the internal politics of other countries, even if that were a desirable objective. Development aid is effective for one main purpose: development. For that reason, it is essential to direct aid efforts to development needs, with the long-term perspective that development assistance requires. Aid can not be ratcheted up and down in line with the latest election if aid is to be effective in promoting long-term development. Using aid to "buy friends" on a tactical basis has repeatedly proven to be a losing proposition. The aid is squandered while the "friends" come and go. Aid should focus on economic development to get the desired results.

Still, aid can be a very powerful tool for improving governance by applying high performance standards to the use of aid itself. Aid-supported programs should be transparent, accountable, and subject to audits, monitoring, and independent evaluation. Aid-supported programs should have clear deliverables so that the local population can hold their government accountable for delivery. The diversion of aid funds for corrupt purposes should not be tolerated.

In the long term, U.S. official development assistance will strongly promote democracy by raising living standards in targeted countries One of the world's most powerful patterns is that rising literacy, health, and incomes lead to strong demands for democracy from within a society. The most powerful and reliable way for outside governments to support the process of democratization, therefore, is to support long-term economic development, which lays the deep basis for long-term stable democratic rule.

Modernizing U.S. Development Assistance in the 21st Century

The U.S. development assistance effort must be updated to the conditions of the early years of the 21st century This means that the development goals must be made clear and appropriate, the technologies must be identified, the systems for delivery must be assessed, and the multilateral financing must be assured. Our own governmental organization must be up to the task, both in assessing needs, working between the Executive and Legislative branches to ensure sustained programming, and working with other governments to coordinate global efforts. In this section we discuss the goals, technologies, delivery systems, financing, and re-organization of U.S. Governmental efforts.

The Goals. The priorities for U.S. development assistance should be based mainly on the development commitments that the U.S. and the rest of the world have made in recent years, after considerable diplomatic and scientific discussions and negotiations. At the core of the effort should be the MDGs. These goals are already the central organizing tool for most development agencies and multilateral development institutions around the world The MDGs have the profound advantage not only of specifying explicit and quantitative targets, but also of automatically aligning U.S. efforts with those of partner countries, thereby massively leveraging American resources and expertise.

The focus of the development challenge is in those regions still trapped in extreme poverty, or those places suffering extremely high burdens of hunger, disease, or lack of infrastructure. This means that U.S. efforts should be mainly directed towards sub-Saharan Africa, Central Asia, the Andean region, Haiti, and the remaining pockets of extreme poverty in South Asia. Development aid for middle-income countries should be scaled back accordingly, since these regions can generally finance their own investment needs.

The Technologies. For each of the Millennium Development Goals, there are a set of core interventions, based on proven low-cost technologies, which can spur rapid advances toward the Goals. The UN Millennium Project among other studies has identified the powerful tools at our disposal in each of the key areas. While much can be said about each area, the following highlights can be noted.

Income poverty: microfinance, electricity generation (off-grid and on-grid), all-weather roads, access to cell phones and internet, improved population health (see below)

Hunger: improved food production through the extension of "Green Revolution" technologies (high-yield seeds, fertilizer, small-scale irrigation, agricultural extension services); micronutrient supplementation for Vitamin A, iodine, zinc, and iron; monitoring of low-weight children; school feeding programs, with take-home rations for pre-school-aged children

Universal school completion: construction of schools, training of teachers, wireless internet connectivity for (solar-charged) computers at schools, separate hygienic facilities for girls and boys, mid-day feeding programs

Gender equality: time-saving infrastructure for rural women (water, power, mills, and clinics, within reach of villages); micro-finance for women's groups; improved inheritance and property rights

Reduced maternal mortality: emergency obstetrical theatres in all sub-district hospitals; training of assistant medical officers (AMOs) to perform emergency procedures; use of wireless phone systems to create emergency-response units for ambulance services

Reduced child mortality: integrated management of childhood illnesses (IMCI), including diarrhea, malaria, acute lower respiratory infection (ALRI), vaccine-preventable diseases, parasitic infections (worms), micronutrient deficiencies, and expert systems for neonatal care; increased use of community health workers, supported by mobile phone and internet connectivity

Control of AIDS, TB, and Malaria: packages of preventative and curative health services, e g., access to medicines and universal protection by insecticide-treated bed nets in the case of malaria

Universal access to family planning and contraceptive services: logistics and supply chain management for contraceptive availability; community-worker outreach to ensure the access to family planning services and contraception on a voluntary basis

Safe drinking water and sanitation: application of modern hydrological tools to identify sustainable water sources, based on seasonal and annual runoff, rainwater harvesting, sustainable use of groundwater, and improved year-round water storage; investments in sanitation systems, including septic tanks and recycling of human and animal wastes in rural areas, and piped wastewater treatment in urban areas.

While there is much debate about "development assistance" in the abstract, there is a near consensus on the use of aid to expand the access of the poor to vital and proven technologies Aid-skeptic William Easterly, for example, endorses this approach: "Put the focus back where it belongs: get the poorest people in the world such obvious goods as the vaccines, the antibiotics, the food supplements, the improved seeds, the fertilizer, the roads, the boreholes, the water pipes, the textbooks, and the nurses This is not making the poor dependent on handouts; it is giving the poorest people the health, nutrition, education, and other inputs that raise the payoff to their own efforts to better their lives."[20]

[20] William Easterly, *The White Man's Burden*, New York Penguin, 2006, p. 368-9

The Delivery Systems. Much is made of the difficulty of delivering such technologies to the poor, with perceived high risks of corruption, mismanagement, and other delivery failures. Yet such fears have been shown time and again to be misplaced as long as the aid is practical, subject to monitoring, adapted to local circumstances, endorsed by local communities, and embedded in a sensible delivery system with audits and evaluation. In recent years, enormous successes have been achieved in the mass distribution of anti-malaria bed nets, the mass scale-up of new vaccines (through the Global Alliance for Vaccines and Immunizations), the mass treatment of children for worm infections, the mass increase in primary-school enrollments and completion rates by eliminating school fees, and the mass access of farmers to high-yield inputs through voucher systems In all of these cases, success has resulted from transparency, specificity, accountability, and auditing of delivery systems

The Financing. The basic principles of financing should be clear. First, donor aid should be directed at communities and regions that can not fund their own development efforts. As the Monterrey Consensus rightly noted, this means an emphasis on the least developed countries, particularly on sub-Saharan Africa as a major focus for financing. Second, aid should avoid program designs which aim to have the poorest of the poor pay for vital services. Attempts to sell bed nets or health insurance or medicines to the poor have inevitably led to the exclusion of large parts of the population (especially rural population) from coverage. Third, donor aid should be a mix of bilateral and multilateral initiatives, divided roughly half and half. The U.S. will not, and should not, aim to fund the delivery of services on its own. The efforts should reflect a pooling of bilateral (that is, governmental) donors, international organizations, the private sector, and private philanthropy (including foundations and individuals) In some cases, such financing mechanisms already exist, but in other cases they need to be created Here is a quick rundown

Health financing. The Global Fund to Fight AIDS, TB, and Malaria has become the most effective instrument for multilateral financing. The U S. should increase its contributions to the GFATM, in conjunction with increases of other donor partners. There are currently three "windows" at the Global Fund (for the three diseases). At least two new funding windows should be opened· one for "health systems" (funding of nurses, community health workers, clinic construction and facilities) and one for other readily controllable "neglected tropical diseases" (soil-transmitted helminthes, lymphatic filariasis, trachoma, onchocerciasis, and schistosomiasis).

Education financing. The Education-for-All (EFA) initiative of the Millennium Development Goals is backed by a "Fast Track Initiative" (FTI) largely funded by the United Kingdom. The United States should join the U.K and other donors in ensuring full financing for EFA-FTI.

Agriculture financing. There is currently no multilateral financing for improving agricultural productivity and total production in sub-Saharan Africa and other hunger hotspots. The Gates and Rockefeller Foundations have recently established an Alliance for a Green Revolution in Africa (AGRA), with initial financing of $500 million This should become the startup funding for a new Global Fund for African Agriculture, which would permit the U.S. and other donors to join together in multilateral funding, aimed at the rapid diffusion of high-yield technologies.

Infrastructure financing. Some infrastructure, notably telecommunication and internet connectivity, is being expanded rapidly on the basis of private-sector investments. Other infrastructure, notably roads, power, ports, and large-scale urban water and sanitation systems, will require very substantial public financing. Currently, infrastructure financing is provided in a somewhat haphazard way by a variety of donors, including bilateral donors, the concessionary financing window of the World Bank (the International Development Association, IDA), the regional development banks, the European Investment Bank, and others. There is no overall coordination to ensure that total financing is in line with total needs. There is a need, therefore, for a new pooled financing system for critical infrastructure, especially for sub-Saharan Africa. The Millennium Challenge Corporation (MCC) can become a significant mechanism for channeling infrastructure financing by the U.S. Government.

Other Special Challenges

In addition to improved international cooperation and financing mechanisms to achieve the Millennium Development Goals, U S. development assistance (in conjunction with global partners) needs to focus on a set of specific additional challenges of critical concern to U S. national security. These additional challenges are not being met by the global system as currently organized, yet will become major problems for the international community and U.S. foreign policy in the years ahead. We will briefly mention five such challenges.

The Crisis of the Dry Lands. The instability that ranges from Northern Mali to the east through Niger, Chad, Sudan, Ethiopia (notably the Ogaden Desert), Somalia, Yemen, Iran, and Afghanistan, has a basic and important underlying dimension: a dry lands crisis. Most of the world's hot spots today are actually the world's dry spots as well. They are dry sub-humid, semi-arid, or arid environments, burdened by massive population increases, degraded environments (such as over-grazing of pasturelands), rising temperatures, and falling precipitation. Rather than viewing the crises in these areas through the lens of global terror or a "clash of civilizations," it is vital to view them through the lens of livelihoods and survival. Only a developmental approach can resolve basic and urgent challenges in this vast region, in order to restore political stability and create the basis for long-term economic wellbeing.

The Challenge of Emerging and Re-Emerging Diseases. The current fear over Avian Flu is just one example of the massive increase in zoonotic diseases (that is, diseases passed from animal reservoirs to humans). HIV/AIDS is the most lethal and widespread of the zoonotic diseases of recent decades, but others include SARS, Ebola, and Hantavirus The U.S. development program will need to support a greatly increased global investment in infectious disease control, epidemic surveillance and monitoring, and improved safety in handling of livestock and other domesticated animals in the global food chain.

The Emerging Crises of Climate Adaptation We now understand that anthropogenic climate change is already upon us. We are experiencing significant changes in the hydrological cycle, temperatures,

seasonality of species, range of species, increased vulnerability to droughts and epidemics, acidification of the oceans (from increased carbon dioxide uptake), snow melt and glacier melt, and extreme weather events. The world has agreed on an Adaptation Fund under the auspices of the UN Framework Convention on Climate Change, to enable the poorest countries to undertake adaptation measures in the face of the existing and growing climate changes. The U S. should plan to be a major source of funding and scientific leadership in that new global effort

The Reinvigoration of Global Population Policies. The rate of population growth in the world's poorest regions remains staggeringly high. Total Fertility Rates often average 6 to 8 children per mother in impoverished rural areas, and notably in the impoverished dry lands These regions are without reliable access to modern contraception and family planning services, despite the pledges of the world community to ensure universal access to sexual and reproductive health services by the year 2015 Much research has demonstrated that the failure of population control in the poorest countries poses enormous risks for those societies and for the rest of the world. Dangers include under-investments per child in health, nutrition, and education; insufficient public services to keep up with a fast-growing population; falling farm sizes per household; increased environmental degradation under the pressures of rising populations, and a "youth bulge," in which a high proportion of young men (aged 15-29) in the population make an outbreak of violence and conflict more likely.

Global Trade which Works for All. Development aid can play a large role in fostering export competitiveness, and hence the importance of increased "aid for trade" which should accompany trade liberalization measures under the ongoing Doha trade round.

The Structure of U.S. Development Assistance

There is a strong case for moving development assistance to a new separate Cabinet-level **Department of International Sustainable Development** (DfISD) The new Department would house the existing USAID, PEPFAR (Emergency Plan to Fight AIDS), the President's Malaria Initiative, the Millennium Challenge Corporation, and emerging initiatives in climate change, especially vis-à-vis the developing countries. The case for a separate Department rests on the following principles:

- The need to upgrade U.S. development assistance as a pillar of U S national security
- The need to improve U.S. Government management and expertise in public health, climate change, agronomy, demography, environmental engineering, and economic development.
- The need to work effectively with similar Cabinet-level Departments and ministries in partner countries.
- The need to de-politicize development assistance, so that it can be directed at the long-term investments that are critical in the fight against poverty, hunger, disease, and deprivation.
- The need for coherence of U.S policies which impact international sustainable development, including official development assistance, trade relations with low-income countries, efforts on climate-change adaptation and mitigation, and efforts on global public health and disease control.

The current system in which USAID is a part of the Department of State is failing. U.S. aid is excessively politicized by connecting aid with short-term foreign policy exigencies (e.g the war in Iraq or the Israel-Palestine crisis). It would be very useful to *insulate* development aid from short-term diplomatic pressures Moreover, USAID has been gutted of much key talent and staffing, and the US Government is currently unable to attract the best young experts in development fields, and will remain unable to do so until the status of sustainable development within the government is improved. The shift in the United Kingdom from having a mere sub-cabinet development agency (the Overseas Development Administration, ODA) to having a cabinet department (the Department for International Development, DfID) has dramatically increased the standing, reputation, and expertise of the United Kingdom in the area of international development. DfID is far ahead of USAID as a global thought-leader in development policy, and DfID's departmental rank is playing a key role in that success.

The new Department would have several specific tasks in its start-up years in addition to the development challenges described in this report.

Re-focusing aid efforts. DfISD will bring together countless aid programs now strewn in a disconnected way across the U.S. Government. It will bolster technical competence (in health, agronomy, engineering, climate, hydrology, finance, and other areas related to sustainable development). It will fix the procurement and contracting systems, widely regarded to be broken. It will promote results-based aid delivery, with monitoring, accountability, and audits.

Promoting effective multilateralism DfISD will be much better placed than USAID to work with counterpart Ministries of International Development, and to coordinate multilateral efforts.

Leveraging civil society and the private sector DfISD will promote partnerships with civil society and the private sector. Businesses especially will be encouraged to utilize their technologies (in sectors such as health, agriculture, energy, logistics, finance, and ICT) in partnerships with the U.S Government and multilateral agencies.

Focusing on fragile states. DfISD will pay special attention to *fragile states*, including the extreme poor, environmentally threatened regions, and post-conflict environments, where development aid can make the difference between economic growth and stability on the one hand, and state collapse and violence on the other.

Integration of all development tools DfISD will be charged with harmonizing the range of development instruments, including development assistance, macroeconomic support (such as debt cancellation), trade policies (such as the African Growth and Opportunity Act, or AGOA), transparency initiatives (such as the Extractive Industries Transparency Initiative), and other tools of diplomacy and development.

The Financing of U.S. Development Assistance

The current level of worldwide official development assistance, roughly $100 billion per year, of which roughly $25 billion is directed to sub-Saharan Africa, is widely acknowledged to be inadequate to support the achievement of the Millennium Development Goals. This is a very important point for U.S. political leaders and the broad public. The global community, including President Bush and the Bush Administration, has repeatedly acknowledged the need for much more aid Yet the Administration and Congress have not yet delivered on those promises.

Let us re-cap what is needed, what has been promised, and what has so far been delivered. There is universal acknowledgement by governments that more aid is needed to enable the poorest countries to achieve the Millennium Development Goals. This was already committed in the Monterrey Consensus.

> We recognize that a substantial increase in ODA and other resources will be required if developing countries are to achieve the internationally agreed development goals and objectives, including those contained in the Millennium Declaration.[21]

It is in that context that the countries agreed to make concrete efforts to the 0.7 percent target. The recognition that much more aid is needed has since been reiterated on several occasions, including at the G8 Summits and the World Summit in September 2005 At the Gleneagles Summit in July 2005, the G8 noted again that:

> A substantial increase in official development assistance, in addition to other resources, is required to achieve the internationally agreed development goals and objectives, including those contained in the Millennium Declaration (the Millennium Goals) by 2015, as we agreed at Monterrey in 2002. Fulfilling this commitment is needed in order to consolidate and build on recent progress in Africa, to stimulate the growth that will increase other resources and to enable African and other poor countries over time to reduce their aid dependency.[22]

This observation was followed by the pledge to increase aid to Africa by $25 billion a year by 2010, "more than doubling aid to Africa compared with 2004."[23] Two months later, at the World Summit at the United Nations, President Bush repeated the pledge to "increased aid to nations that undertake necessary reforms."[24]

The overwhelming problem is that until now, these repeated pledges have not been fulfilled. Actual cash flows of ODA have not risen since 2004 While President Bush promised in 2002 that the Millennium Challenge Account would be funded at the level of $5 billion per year by now, in fact the funding has been under $2 billion per year. Poor countries are unsure whether the promises will ever be fulfilled and are therefore not able to plan for the future, and are certainly not able to rely on pledges to make multi-year investment decisions, including investments in capacity and training.

[21] The Monterrey Consensus of the International Conference on Financing for Development Available Online at http //www un.org/esa/sustdev/documents/Monterrey_Consensus htm
[22] Gleneagles Summit, 8 July 2005, paragraph 26
[23] Ibid, paragraph 27
[24] George W. Bush, Addresses United Nations High-Level Plenary Meeting, United Nations Headquarters, September 14, 2005

Many significant studies, including those of the UN Millennium Project and the Africa Commission launched by Prime Minister Tony Blair, outlined, bottom-up estimates of the costs of achieving the MDGs. The UN Millennium Project found that the OECD-DAC donors will need to contribute around 0.54 percent of GNP in ODA as of 2015 in order to co-finance the MDGs on a global basis. Since ODA will be needed for other purposes as well, such as disaster relief, or post-reconstruction financing, the UN Millennium Project recommended that donor countries honor their commitment of 0 7 percent of GNP, in order both to enable success in the MDGs and to meet other challenges which will arise.

Current US ODA, alas, remains stuck at 0.17 percent of GNP, the second-lowest of all donors. Unlike the EU, which has agreed to achieve 0.7 by 2015, the U.S. has no timetable or political consensus to reach that goal, despite the pledge of the U.S. at Monterrey to make concrete efforts to do so. By contrast, military spending in the U.S. is around 5 percent of GNP, when one combines the Pentagon budget with supplemental appropriations to finance the wars in Iraq and Afghanistan.

The U S. should now join the European Union in setting a specific timetable for increasing aid through the period to 2015. As did the EU, the U.S. should commit to reach 0.5 percent of GNP by the year 2010 and 0.7 percent of GNP by the year 2015. Such a trajectory of aid would ensure success in achieving the Millennium Development Goals by 2015, and would put the world on a trajectory to achieve the end of extreme poverty by the year 2025.[25] Of the total aid, roughly half should be allocated through multilateral channels (e g IDA, the Global Fund to Fight AIDS, TB, and Malaria, a new Global Fund for African Agriculture), and roughly half should be allocated through U.S. bilateral initiatives, such as PEPFAR, the President's Malaria Initiative, and the Millennium Challenge Corporation.

[25] See the calculations in Jeffrey Sachs, *The End of Poverty*, New York: Penguin 2005, based on the work of the UN Millennium Project and WHO Commission on Macroeconomics and Health, and consistent with the findings of the 2005 Africa Commission of the U K Government

Summary of Conclusions

1) The U.S. should promote development assistance as a core pillar of national security and American moral values.

2) The U.S. should follow through on its oft-repeated commitments to the Millennium Development Goals.

3) U.S. Foreign Assistance should harmonize U.S. foreign policy commitments in development (such as support for the MDGs and goals adopted at G8 Summits) with the actual budgets and programs of U.S. development assistance.

4) U.S. political leaders should explain to the American people the international development objectives and commitments that have been made by the United States.

5) U.S. political leaders should explain to the American people the modest levels of U.S. development aid in comparison with spending on other pillars of U.S. security (notably Defense), with U.S. commitments, and with the spending of partner countries.

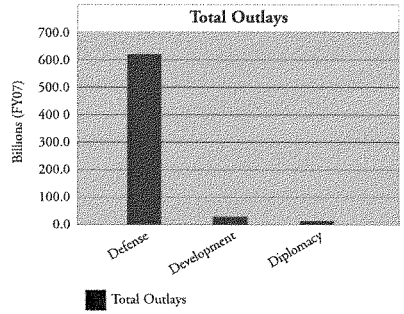
6) The U.S., in line with its own commitments and the actions of its development partners, should make concrete efforts to the target of 0.7 percent of GNP, and should aim to achieve that target by 2015.

7) The U.S. should support multilateral objectives and funding mechanisms in health, agriculture, infrastructure, education, and community development, balancing aid roughly half and half in bilateral and multilateral initiatives.

8) The U.S. should establish a new separate Cabinet-level Department of International Sustainable Development.

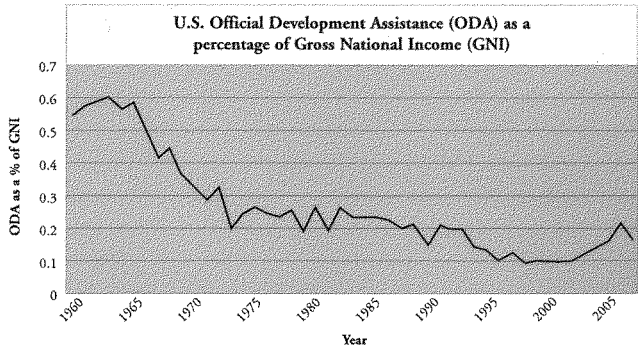
9) The U.S. should use the full range of development instruments, including development assistance, trade opening (such as AGOA and a successful Doha Round), aid for trade, and partnerships with civil society.

Figure 1 The Allocation of National Security Outlays



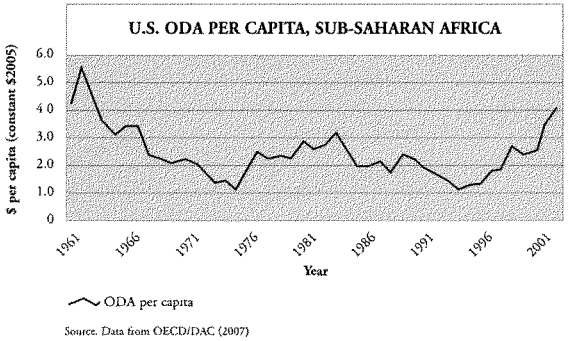
Source Whitehouse OMB for "Defense" and "Diplomacy", OECD/DAC for "Development"

Figure 2. U.S. Official Development Assistance as a percentage of Gross National Income



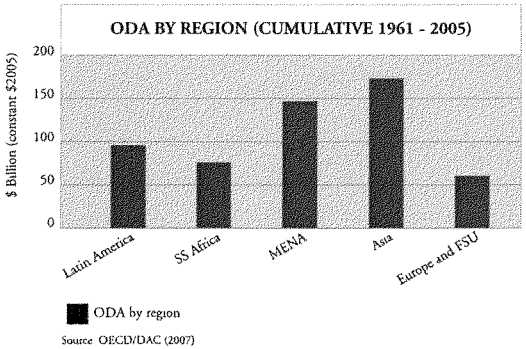
Source OCED/DAC (2007)

Figure 3 US ODA to Africa ($ per African), 1961-2005



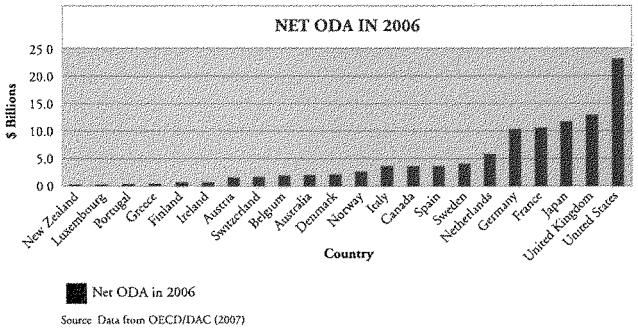
Source. Data from OECD/DAC (2007)

Figure 4. U S ODA by Region, 1961 - 2005



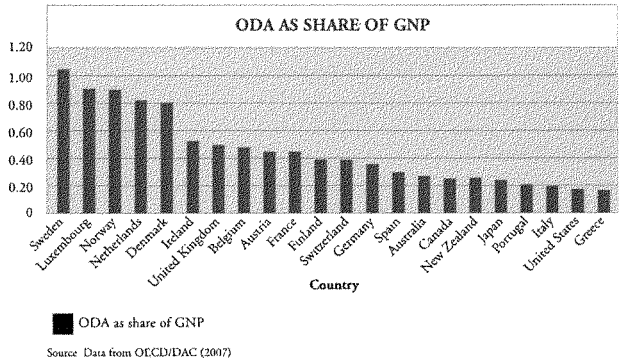
Source OECD/DAC (2007)

Figure 5(a). Net ODA in 2006



Source Data from OECD/DAC (2007)

Figure 5(b). ODA as a share of GNP



Source Data from OECD/DAC (2007)

TABLE 1. THE MILLENNIUM DEVELOPMENT GOALS

Goal 1: Eradicate extreme poverty and hunger	**Target 1:** Halve, between 1990 and 2015, the proportion of people whose income is less than $1 per day **Target 2:** Halve, between 1990 and 2015, the proportion of people who suffer from hunger
Goal 2: Achieve universal primary education	**Target 3:** Ensure that by 2015 children everywhere, boys and girls alike, will be able to complete a full course of primary schooling
Goal 3: Promote gender equality and empower women	**Target 4:** Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015
Goal 4: Reduce child mortality	**Target 5:** Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate
Goal 5: Improve maternal health	**Target 6:** Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio
Goal 6: Combat HIV/AIDS, malaria, and other diseases	**Target 7:** Have halted by 2015 and begun to reverse the spread of HIV/AIDS **Target 8:** Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases
Goal 7: Ensure environmental sustainability	**Target 9:** Integrate the principles of sustainable development into country policies and programs, and reverse the loss of environmental resources **Target 10:** Halve by 2015 the proportion of people without sustainable access to safe drinking water and basic sanitation **Target 11:** Have achieved by 2020 a significant improvement in the lives of at least 100 million slum dwellers
Goal 8: Develop a global partnership for development	**Target 12:** Develop further an open, rule-based, predictable, non-discriminatory trading system (includes a commitment to good governance, development, and poverty reduction -- both nationally and internationally) **Target 13:** Address the special needs of the Least Developed Countries (includes tariff- and quota-free access for Least Developed Countries' exports, enhanced program of debt relief for heavily indebted poor countries [HIPCs] and cancellation of official bilateral debt, and more generous official development assistance for countries committed to poverty reduction) **Target 14:** Address the special needs of landlocked developing countries and small island developing states (through the Program of Action for the Sustainable Development of Small Island Developing States and 22nd General Assembly provisions) **Target 15:** Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term **Target 16:** In cooperation with developing countries, develop and implement strategies for decent and productive work for youth **Target 17:** In cooperation with pharmaceutical companies, provide access to affordable drugs in developing countries **Target 18:** In cooperation with the private sector, make available the benefits of new technologies, especially information and communications technologies

Source: United Nations

TABLE 2. BILATERAL OFFICIAL DEVELOPMENT ASSISTANCE TO SUB-SAHARAN AFRICA, FY06

Emergency Plan for AIDS Relief	$675 mm
Child Survival and Health	$391 mm
Development Assistance	$588 mm
Millennium Challenge Corporation	$850 mm (estimated as half of total MCC)
Economic Support Fund	$121 mm
Food Assistance (PL480)	$272 mm
Peace Corps	$120 mm (estimated as half of total PC)
Total bilateral aid to Africa	$3 billion

Source: United States Agency for International Development, *The Greenbook*

TABLE 3. COMBINING OFFICIAL DEVELOPMENT ASSISTANCE AND GIVING BY NGOS (AVERAGE FOR 2004-5)

2004-5	ODA/GNI	NGO/GNI	Combined
Australia	0.25	0.10	0.35
Austria	0.38	0.04	0.42
Belgium	0.47	0.06	0.53
Canada	0.30	0.08	0.38
Denmark	0.83	0.03	0.86
Finland	0.41	0.01	0.42
France	0.44	—	—
Germany	0.32	0.05	0.37
Greece	0.16	0.00	0.17
Ireland	0.40	0.17	0.57
Italy	0.22	0.00	0.22
Japan	0.23	0.01	0.24
Luxembourg	0.83	0.02	0.85
Netherlands	0.78	0.07	0.85
New Zealand	0.25	0.06	0.32
Norway	0.91	—	—
Portugal	0.42	0.00	0.42
Spain	0.26	—	—
Sweden	0.86	0.01	0.87
Switzerland	0.43	0.08	0.51
United Kingdom	0.42	0.03	0.44
United States	0.20	0.06	0.26
TOTAL DAC	0.30	0.04	0.34

Source OECD / DAC (2006)

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Members of the HELP Commission

Leo Hindery, Jr., Vice Chairman

Leo Hindery, Jr. is currently Managing Partner of InterMedia Partners. He is an Executive-in-Residence at Columbia Business School, a member of the Board of Advisors at Columbia School of Journalism, a member of the Council on Foreign Relations, and the author of two books. Mr. Hindery founded the YES Network and served as its Chairman and CEO until 2004. Prior to that he served as President of Tele-Communications, Inc. (TCI) and CEO of AT&T Broadband.

Jeffrey D. Sachs

Jeffrey D. Sachs is Director of the Earth Institute, Quetelet Professor of Sustainable Development, and Professor of Health Policy and Management at Columbia University. He is also Special Advisor to United Nations Secretary-General Ban Ki-Moon. From 2002 to 2006, he was Director of the UN Millennium Project and Special Advisor to United Nations Secretary-General Kofi Annan on the Millennium Development Goals. Prof. Sachs is a Research Associate of the National Bureau of Economic Research. He has been an advisor to the IMF, the World Bank, the OECD, the World Health Organization, and the UNDP, among other international agencies, and is the author of numerous books and articles.

Gayle E. Smith

Gayle E. Smith is a Senior Fellow at the Center for American Progress. She served as Special Assistant to the President and Senior Director for African Affairs at the National Security Council from 1998-2001, and as Senior Advisor to the Administrator and Chief of Staff of the U.S. Agency for International Development from 1994-1998. As a journalist, Ms. Smith was based in Africa for almost 20 years. She has also consulted for a wide range of NGOs, foundations and governmental organizations.

Revamping U.S. Foreign Assistance

HELP Commissioner Jeffrey D. Sachs
HELP Vice Chairman Leo Hindery, Jr.
HELP Commissioner Gayle E. Smith

Dear Sir or Madam,

As members of the HELP Commission we are honored to provide you with our report on *Revamping U.S. Foreign Assistance.* We believe that the enclosed report lays out a plan for the American people, Congress and the Executive Branch which can be effectively and practically implemented during the next Administration and Congress. Our plan aims to bolster U.S. security and fulfill America's moral vision and global responsibilities as to foreign assistance. And we are confident that it can win widespread bipartisan support.

Our report provides an alternative to the report of the HELP Commission, of which we are original members. It had been our hope and intention to sign the Commission's report without expressing our differences. Yet, while we agree with certain of that report's comments and recommendations, we differ on important points. Most importantly, we believe that the opportunities for bolder U.S. assistance to eliminate dire poverty and improve U.S. national and global security are much greater – and more urgent – than the Commission's report conveys.

We also believe, notably, that the best way forward to seize these opportunities is through a new Cabinet-level Department for International Sustainable Development. This is one of nine specific important recommendations we make related to the structure, financing and modernization of U.S. development assistance.

We look forward to working with you and your colleagues in the coming months to help advance our shared commitment to effective U.S. leadership in the fight against global hunger, disease, poverty and instability in low-income countries.

With respect and gratitude,

Jeffrey D. Sachs
Leo Hindery, Jr.
Gayle Smith

The HELP Commission

Helping to **E**nhance the **L**ivelihood of **P**eople Around the Globe

Commission Overview

Mission: The **H**elping to **E**nhance the **L**ivelihood of **P**eople around the Globe (HELP) Commission shall develop and deliver actionable proposals to the President, Secretary of State and Congress to enhance and leverage the efficiency and effectiveness of U.S. foreign assistance programs in order to reduce poverty through the recipients' sustained economic growth and self-reliance. To further U.S. national security and foreign policy goals and objectives, the Commission will communicate the need for change and will make bold recommendations for structures, mechanisms, and incentives which will create definable, achievable and measurable outcomes that empower recipients.

Leadership: *Mary K. Bush* was appointed Chairman of the HELP Commission by President George W. Bush. *Carol Adelman* and *Leo Hindery, Jr.* serve as co-Vice Chairmen. *Gayle Smith* and *Steve Berry*, with the Chairman and Vice Chairmen, comprise the Management Committee.

Membership: The HELP Commission is a bipartisan Commission comprised of 21 members who were appointed to the Commission in 2004-2005 by one of five appointing officials.

Appointing Official:	The President	Senate Majority Leader	Senate Minority Leader	Speaker of the House	House Minority Leader
Appointees:	Mary Bush Carol Adelman Glenn Estess Benjamin Homan Walter Kansteiner David Williams	Steve Berry Jerome Climer Thomas Kleine Marty LaVor	Leo Hindery, Jr. Eric Postel Gayle Smith	Jennifer Dunn* Nicholas Eberstadt William Lane Robert Michel	Lynn Fritz C. Payne Lucas Jeffrey Sachs

The Administrator of the U.S. Agency for International Development (USAID) is an *ex-officio* member, and has been represented by Alonzo Fulgham.

Mandate: The Commission's mandate extends to programs run by more than 20 federal agencies conducting foreign assistance, including, but not limited to, food aid, disaster relief, humanitarian assistance, economic development, democracy and governance promotion and security assistance.

Report Date: The Commission will formulate its recommendations into a final report, and deliver it to Congress, the President and the Secretary of State no later than December 2007.

* The entire HELP Commission deeply mourns the passing of our beloved colleague, Congresswoman Jennifer Dunn, whose contributions to the Commission are invaluable.

The Honorable Mary K. Bush, Chairman
800 K Street NW, Suite 910N, Washington, DC 20001 – tel. 202.275.6110 – fax: 202.275.6111 – www.helpcommission.gov

Our Mission□The HELP Commission shall develop and deliver actionable proposals to the President, Secretary of State and Congress to enhance and leverage the efficiency and effectiveness of U.S. foreign assistance programs to reduce poverty through sustained economic growth and self-sufficiency. The Commission will communicate the need for change and will make bold recommendations for mechanisms, structures and incentives which will create definable, achievable and measurable outcomes that empower recipients and meet U.S. national security and foreign policy goals and objectives.

Our Members_□The group is a citizens' commission, appointed by the President and bipartisan Congressional leaders. Following the initial appointment of the 21-member Commission, President George W. Bush designated the Hon. Mary K. Bush to serve as Chairman.

Our Meetings_□The Commission meets once a month to converse with foreign aid experts, discuss their findings, and plan the report.

Questions for the Record Submitted to
Deputy Director Richard Greene by
Senator Daniel K. Akaka (#1)
Senate Committee on Homeland Security and Governmental Affairs
July 31, 2008

Question:

Can you tell me, or provide for the record, the number of outside contractors annually employed by USAID from 1967-2008?

Answer:

The Office of Acquisition and Assistance, located in the Management Bureau of USAID, currently keeps a database with information dating to Fiscal Year 1996. Any records held previously have been retired. The way that the database is structured allows the Agency to report on the number and value of awards for any given fiscal year between 1996 and the present. It does not, however, have functionality that allows us to report accurately on the number of outside contractors annually employed by USAID.

To date, USAID has not had an operating worldwide acquisition system which would allow us to capture worldwide data on contracts and vendors. However, USAID is presently in the process of developing and deploying the Global Acquisition and Assistance System (GLAAS). This

system is web-based and will be deployed worldwide. It will modernize USAID's acquisition and assistance process and integrates with the USAID financial system. It will capture key acquisition and assistance data on a global basis which will greatly enhance the Agency's ability to respond to data calls from stakeholders in the future. Pending the receipt of additional funding, the full deployment of GLAAS is scheduled to be completed in FY 2011.

Questions for the Record Submitted to
Deputy Director Richard Greene by
Senator Daniel K. Akaka (#2)
Senate Committee on Homeland Security and Governmental Affairs
July 31, 2008

Question:

Mr. Worthington with Interaction recommends that the United States adopt a National Development Strategy, similar to the ones developed by the Defense Department and the National Security Council.

Why don't we already have such a document?

Answer:

While there is not yet a National Development Strategy, we are making progress in that direction. We are taking steps to develop a multi-year National Assistance Strategy, develop multi-year country strategies and develop companion strategies that articulate priorities within certain sectors (for example, the USAID Economic Growth Strategy). We are developing guidelines for a National Development Strategy, and we are piloting a strategic planning process whereby stakeholders from across the USG – not just State and USAID – are working collaboratively in Washington and in the field to develop country-specific foreign assistance strategies. This interagency-approved Country Assistance Strategy (CAS) process is being tested in ten countries around the world. A CAS will articulate the USG's

top four or five foreign assistance priorities in a given country within a five-year period. The CAS process provides a forum for USG departments and agencies to discuss their current and planned programs in a given country so that each agency's programs can be fully leveraged and maximized and brought into closer alignment with the host country's conditions and its own definition of development needs and priorities. The CAS will be a public document to communicate the top USG foreign assistance priorities to our host country government partners, other donors, key stakeholders in civil society, including the private sector, and others. As the pilot phase of the CAS wraps up this fall, we will be working with our interagency colleagues to refine the concept.

Through the Development Policy Coordinating Committee we are working with other U.S. Government agencies to see how we can better align our foreign assistance programs. The Development Policy Coordinating Committee has agreed to focus on intra-government coordination—including the use of the DFA-established common objectives and program lexicon—in a select number of countries. Lessons learned from this pilot will then be adopted on a broader scale.

Questions for the Record Submitted to
Deputy Director Richard Greene by
Senator Daniel K. Akaka (#3)
Senate Committee on Homeland Security and Governmental Affairs
July 31, 2008

Question:

Dr. Hyman argues in his testimony that the distinction between foreign assistance strategy and tactics has been blurred. He believes that the country team no longer takes the lead on the design of the country plan under general strategic guidelines from Washington. Instead, Washington drafts a highly detailed plan which the field manages.

Is this true?

Answer:

After the first year of implementation of the foreign assistance reforms, the Office of the Director of U.S. Foreign Assistance embarked on an After Action Review of its processes. As a result of this review, concerns about field input and striking the appropriate balance between Washington strategic direction and field expertise have largely been addressed. The first stage of the FY 2009 budget build relied on our embassies and USAID missions around the world to form the initial basis for each country request through Mission Strategic Plans – a joint State-USAID field submission of budget and allocation levels by program element. Washington core teams have been replaced by Assistance Working Groups, composed of regional

and functional representatives, who evaluate the field-proposed priorities and programs, recommending adjustments and addressing global and regional issues. In contrast to last year's process, the field this year provided concrete input at multiple stages, which resulted in a budget that represents both field and Washington priorities. Moving forward, we constantly seek to refine the process.

Questions for the Record Submitted to
Deputy Director Richard Greene by
Senator Daniel K. Akaka (#4)
Senate Committee on Homeland Security and Governmental Affairs
July 31, 2008

Question:

The F Bureau was set up to implement Secretary Rice's Transformational Diplomacy, not to add another layer of management. Yet, I have become aware of complaints that the F Bureau has made several requests for data from various foreign assistance posts that are time consuming and difficult to comply with and distract staff from carrying out their projects.

Have you heard any of these sorts of complaints and, if so, what has the F Bureau done to address these concerns?

Answer:

We are taking concrete steps to streamline our foreign assistance budget and planning processes. Over the past nine months, we have made significant changes based on specific feedback from our colleagues in USAID and State – particularly those in the field – and from our partners. These changes include shifting the emphasis to the field by providing more opportunities for field input into the budget formulation and allocation processes. We have eliminated the Washington approval process for certain program and financial adjustments and are reducing the data required and the times Washington requests data from the field.

We implemented a number of changes to streamline the FY 2008 Operational Plan preparation and approval processes. We are pleased that these changes significantly reduced the amount of field time required to prepare the Plan and reduced the volume of materials submitted to Washington substantially. The approval process was made significantly shorter with increased transparency and improved feedback to the field. We have in place a new competitive procurement for the Operational Plan database – putting a premium on user-friendliness, performance and flexibility in the system. In addition, we are working with the President's Malaria Initiative and the Office of the Global AIDS Coordinator on reducing the workload burden on the field by streamlining processes related to reporting.

We continuously seek to improve and streamline our processes while maintaining the key management tools necessary for the responsible stewardship of taxpayer dollars.

Questions for the Record Submitted to
Deputy Director Richard Greene by
Senator Daniel K. Akaka (#5)
Senate Committee on Homeland Security and Governmental Affairs
July 31, 2008

Question:

In your testimony, you mention that the Office of the Director of Foreign Assistance is working toward a whole of government approach.

Please describe this approach and the different milestones and objectives you are working toward.

Answer:

Central to our foreign assistance reform efforts is the goal of improving our ability to provide assistance more strategically and effectively across the U.S. Government (USG). We work towards a whole of government approach through a variety of means, all of which are within current statutory authorities.

First, through the budgeting process, we coordinate with the Millennium Challenge Corporation (MCC) and the Department of Defense in the development and defense of the budget. In some cases, this entailed a realignment of State and USAID assistance programs to complement or reinforce MCC programs and to avoid redundancy.

In addition, we are piloting a strategic planning process whereby stakeholders from across the USG – not just State and USAID – are working collaboratively in Washington and in the field to develop country-specific foreign assistance strategies. This interagency-approved Country Assistance Strategy (CAS) process is being tested in ten countries around the world. A CAS will articulate the USG's top four or five foreign assistance priorities in a given country within a five-year period. The CAS process provides a forum for USG departments and agencies to discuss their current and planned programs in a given country so that each agency's programs can be fully leveraged and maximized and brought into closer alignment with the host country's conditions and its own definition of development needs and priorities. The CAS will be a public document to communicate the top USG foreign assistance priorities to our host country government partners, other donors, key stakeholders in civil society, including the private sector, and others. As the pilot phase of the CAS wraps up this fall, we will be working with our interagency colleagues to refine the concept.

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Questions for the Record Submitted to
Deputy Director Richard Greene by
Senator Daniel K. Akaka (#6)
Senate Committee on Homeland Security and Governmental Affairs
July 31, 2008

Question:

Mr. Worthington with Interaction states that USAID recently implemented a terrorist screening program on grantees called "Partner Vetting System" with little consultation with development NGOs. I have a series of questions about this system.

a. First, once grantees collect personal information from their development partners, is it passed to U.S. intelligence agencies?

b. Second, how long is personal information kept on file for and how is it protected?

c. Third, does this system apply to contractors or to State or Defense Department implementing partners?

Answer:

USAID has not implemented the Partner Vetting System. This terrorist screening program remains under consideration. USAID has met with the development NGOs on a number of occasions to discuss the Agency's plans with regard to the proposed system. If the Partner Vetting System ultimately is approved, the questions posed can be answered as follows:

a. Personal identifying information provided by applicants for USAID funds will not be passed to U.S. intelligence agencies. Rather, USAID analysts will run that information against data contained in terrorist databases. Positive matches between the information provided by applicants and the information contained in terrorist databases constitute "encounters." Information on encounters will be referred to the U.S. intelligence community.

b. Personal identifying information will be kept on file in accordance with records management requirements applicable to the U.S. Government for grants or contracts, as the case may be. This information will be protected in a secure Agency database on USAID servers, within the USAID firewall. Access to the system will be limited based on the user's role configured within the system.

c. It is contemplated that this system will apply to applicants for USAID contracts as well as for USAID grants. However, since more stringent statutory and regulatory requirements are applicable to contracts than is the case for grants, should the system ultimately be approved by USAID, it would apply only to grants until such time as the requirements for contracts have been

complied with. USAID does not anticipate that compliance with these additional requirements would take a lengthy period of time. Since PVS is a USAID system, it will not apply to State or Defense Department implementing partners.

Questions for the Record Submitted to
Deputy Director Richard Greene by
Senator Daniel K. Akaka (#7)
Senate Committee on Homeland Security and Governmental Affairs
July 31, 2008

Question:

The DFA is charged with coordinating all U.S. government foreign assistance, but only has authority over State and USAID funding.

What has been the impact of not including other agencies (DOD, MCC, etc.) and presidential initiatives (PEPFAR) in foreign assistance reforms?

How is the DFA coordinating with these other agencies that are not under her authority?

Answer:

It is correct that the reforms proposed so far, including the creation of the Director of U.S. Foreign Assistance position, do not include authority over U.S. Government agencies that do not fall under the Secretary's authority. Under current authorities the Secretary of State has approval authority over 87% of the entire Foreign Operations request (FY 2009), which represents a significant footprint in bringing greater coherence to U.S. Government (USG) foreign assistance.

The establishment of a dual-hatted Director of U.S. Foreign Assistance and USAID Administrator has led to continued improvement in the interagency coordination of activities and budget planning. For FY

2008, for example, with the establishment of common objectives, a common program lexicon, and common budget and program planning processes, State (including PEPFAR) and USAID were able to improve coordination, with steps taken toward greater MCC and DOD coordination. For FY 2009, MCC and DOD were formally added as participants in State and USAID's budget and program planning process, in addition to their coordination in the field.

The evidence of such coordination is illustrated by a number of examples: In Ghana, for instance, USAID is focusing its programming on enhancing the capacity of local government, which is responsible for implementing MCC compact activities in economic growth. In Honduras, USAID programming focuses on trade and investment capacity building and private sector competitiveness, in order to complement MCC compact investments in infrastructure and agricultural diversification.

A number of additional activities are ongoing for this year that we hope will further improve coordination. The Country Assistance Strategy (CAS) effort is explicitly targeted to include full interagency, other donor, and where appropriate, host government participation. As with last year, the annual Operational Plan process will provide additional opportunities for the

interagency in the field to develop comprehensive program plans, working together to ensure coordination.

Finally, to extend coherence across all U.S. Government foreign assistance, the Director of U.S. Foreign Assistance and USAID Administrator leads the interagency Development Policy Coordinating Committee. This committee is an important tool for aligning U.S. Government efforts, making joint policy decisions on critical development issues, and forging stronger collaboration to deliver greater impact from the U.S. Government's development efforts around the world. The Development Policy Coordinating Committee has agreed to focus on intra-government coordination—including the use of the DFA-established common objectives and program lexicon—in a select number of countries. Lessons learned from this pilot will then be adopted on a broader scale.

Questions for the Record Submitted to
Deputy Director Richard Greene by
Senator Daniel K. Akaka (#8)
Senate Committee on Homeland Security and Governmental Affairs
July 31, 2008

Question:

The goals of the F Bureau were identified in January 2006.

When will the F Bureau reforms be completed, and what measures will be used to determine whether the F Bureau has achieved its goals?

What additional steps need to be taken for the F Bureau to achieve its goals?

Answer:

In January 2006 the Secretary laid out three goals for the reorganization of foreign assistance: ensure that foreign assistance is used as effectively as possible to meet our broad foreign policy objectives; more fully align the foreign assistance activities carried out by the Department of State and USAID; and demonstrate that we are responsible stewards of taxpayer dollars (Fact Sheet: "New Direction for U.S. Foreign Assistance" January 19, 2006).

First, Secretary Rice established the position of Director of U.S. Foreign Assistance with authority over most assistance programs developed and delivered by the Department of State and USAID. The Director of U.S. Foreign Assistance is simultaneously the Administrator of USAID. This

"dual-hatted" structure helps to ensure that our overall foreign assistance programming has a strong development emphasis and that it is also closely tied to our foreign policy objectives. As an important first step to bringing about policy coherence, we have started to implement and refine the basic management tools necessary to ensure assistance programs across the U.S. Government are linked to our foreign policy goals. We have developed a Foreign Assistance Framework as an organizational tool to describe a broad swath of foreign assistance programs. The Framework creates a common language for categorizing and tracking our foreign assistance activities. This set of common definitions allows us to compare partner, program, and country performance in State and USAID programs and across sources of funding. We are implementing a more integrated budget process in Washington and at posts. We have brought a much stronger country focus to both budget and implementation decisions. For the first time in Fiscal Year (FY) 2008, and then again in FY 2009, we submitted a foreign assistance budget that fully integrated the State and USAID requests for individual countries, while taking into consideration the totality of USG resources, including the Millennium Challenge Account. These management tools by which budget formulation and execution are developed and agreed upon allows for us to better ensure that we are using foreign

assistance to meet our development and diplomacy goals in an integrated and coordinated manner.

Second, because the development of the budget is done collaboratively, this is resulting in more integrated programming in the field. This integrated programming is described in each country's Operational Plan, which is a detailed, country-level plan for how resources are being used in each operating unit. Operational Plans help us determine whether our foreign assistance is aligned with our goals in a particular country; with whom are we working – both inside and outside the USG; how much are we spending across the board; and, finally, what results are we achieving.

Third, the Office of the Director of Foreign Assistance has also developed a set of standard performance indicators that are intended to enable the aggregation of results across countries and programs to tell us what the U.S. government achieved from foreign assistance during a fiscal year. For example, the standard indicators can tell us how many people we have inoculated, how many farmers we assisted with new crops varieties, or how many electoral systems we have strengthened. By being able to look at assistance data on a country-by-country level as well as in aggregate, we are able to measure whether we are achieving success in partnership with individual countries and stakeholders, but also at a broader level that is the

core of the overarching U.S. foreign policy strategy. We now have a tool and a process by which all operating units report and track progress against targets that they have set. While this is progress, we now need to refine those standard indicators and move from output to outcome indicators. Additionally, we need to increase the value of indicators to use them to justify and inform what funding we request in the out year.

We are at the beginning of true foreign assistance reform, not in the middle and not at the end. I am satisfied with the progress that has been made and believe that the U.S. Government is now in a better position to implement integrated foreign assistance programs.

Questions for the Record Submitted to
Deputy Director Richard Greene by
Senator Daniel K. Akaka (#9)
Senate Committee on Homeland Security and Governmental Affairs
July 31, 2008

Question:

What impact have the F Bureau reforms had on State and USAID's ability to report on the performance of U.S. foreign assistance programs?

Answer:

Performance Management and accountability for development results is one of the fundamental principles of the reform launched in 2006. To this end F has worked with State and USAID to assure that all agency Operating Units are carrying out effective performance management efforts. These efforts involve systematically implementing a core cycle of activities at the Operating Unit, Bureau and Agency levels. The cycle consists of planning, budgeting, monitoring and performance reporting annually, with periodic formal evaluations.

To assist in this process F has worked with State and USAID to:

- Promulgate policies for performance management
- Establish a process with appropriate systems to carry out the cycle

Create an information system to set performance targets and report results

- Develop and implement training programs
- Create an interagency working group to coordinate evaluation
- Develop resource materials such as a glossary, standards, guidelines and technical aids
- Provide technical assistance to operating units
- Develop a performance based justification for the foreign assistance budget.

F now measures the results of foreign assistance programs in several distinct but inter-related ways. First, each program that is funded must include specified results and related performance measures – indicators – that are monitored by the office overseeing the program to determine whether they are meeting their targets. These results and indicators are determined jointly, in advance of starting the project, with host country governments and beneficiaries. The Office of the Director of Foreign Assistance has also developed a set of standard performance indicators that enable the aggregation of results across countries and programs to tell us what the U.S. government achieved from foreign assistance during a fiscal year. For example, the standard indicators can tell us how many people we

have inoculated, how many farmers we assisted with new crops varieties, or how many electoral systems we have strengthened. By being able to analyze assistance data on a country-by-country level as well as in aggregate, F is better able to measure whether Foreign Assistance is achieving success in partnership with individual countries and stakeholders. F is also able to review results at a broader level in terms of the transformational diplomacy goals and report on them annually.

To further assist our ability to measure progress, a set of 51 representative indicators were identified and utilized in the FY 2007 Foreign Assistance Annual Report, published in conjunction with the FY 2009 CBJ. Each of these annual indicators included information on the results targeted for FY 2007, whether the target was achieved and steps that will be taken to improve performance if it fell short. The process of identifying, analyzing and reporting on this indicator set pointed to needed adjustments in the process that will be incorporated into future reports.

Additionally, we also monitor the overall progress of a country or region in the sectors we are supporting by using data and information gathered by established organizations. For example, by using Freedom House indicators, we are able to determine the progress that a country or region has been making or not making towards democracy and human

rights. Using these second-party measurements helps us to validate that our programs are not simply achieving shorter-term objectives and needs, but that they are contributing to a portfolio of efforts that are accomplishing long-term sustainable change that serve the individual countries as well as the regions where they are located.

Finally, USAID Missions and bureaus and some State Department Bureaus conduct evaluations of their major development projects and programs. Last year, USAID offices conducted over 200 evaluations that examined questions such as what were the effects of projects and programs, what problems they faced during implementation, and what lessons can be learned for the future to aid in designing programs that will achieve greater impact. F's database collects information on the evaluations undertaken.

USAID Administrator and Director of U.S. Foreign Assistance Fore has stressed the importance of rigorous and objective evaluations of all programs administered by State and USAID. Both USAID and the State Department are exploring ways to strengthen the evaluation function and to improve upon the performance management systems now in place.

In sum, F has made great strides in developing the capacity of Foreign Assistance to report on its performance. More importantly, we are now using these reports to better manage the programs and achieve higher order results.

Questions for the Record Submitted to
Deputy Director Richard Greene by
Senator Daniel K. Akaka (#10)
Senate Committee on Homeland Security and Governmental Affairs
July 31, 2008

Question:

Has the F Bureau developed indicators for non-developmental programs (i.e., security assistance) and how has the F Bureau coordinated with other agencies such as the Departments of Defense and Justice?

Answer:

Yes, F has adopted a set of standard indicators for all of the objectives in the Foreign Assistance framework, including "Peace and Security." These indicators were developed through interagency State-USAID technical teams and included consultation with colleagues in other agencies – including the Department of Defense and the Department of Justice – who implement programs funded by USAID and State. For example, the Bureau of Political and Military Affairs developed indicators to reflect International Military and Education Training programs implemented by the Department of Defense (e.g. "number of host country military personnel trained in peacekeeping, humanitarian, and/or multinational operations," "number of U.S. trained personnel at national leadership levels").

These indicators exist at several levels, including strategic level indicators that capture the impact of foreign and host-government efforts and rely on data collected by secondary sources and where measured improvement is expected over a multi-year time frame; program area indicators that measure country performance within sub-sectors (such as counter-narcotics) and that measure results beyond what could be achieved solely by U.S. government-funded interventions over several years; and element level indicators, which measure outputs that are directly attributable to the U.S. Government's (USG) programs, projects and activities. Data on these indicators are collected primarily by USG implementing partners (private contractors and non-governmental organizations, etc.), and targets are set by USG agencies and their partners against these indicators on an annual basis.

Questions for the Record Submitted to
Deputy Director Richard Greene by
Senator Daniel K. Akaka (#11)
Senate Committee on Homeland Security and Governmental Affairs
July 31, 2008

Question:

The F Bureau is staffed with USAID and State personnel. How are staff assignments in the F Bureau integrated into the career paths of USAID and State Foreign Service and civil service employees?

Answer:

USAID and State staff assignments to the Office of the Director of U.S. Foreign Assistance (F) are integrated into each Agency's standard human resources hiring and assignments program.

USAID and State Foreign Service (FS) positions in F have been selected to participate in the Cross-Over Program managed by the central Human Resources Bureau. As such, these positions are available to FS employees in both organizations. The positions are made available during the regular FS bidding program in each Agency and to the other Agency's employees – i.e., USAID FS Officers can bid on State F positions and vice versa. USAID and State officers have been promoted based on their work in F, including two who were promoted into the Senior Foreign Service. Once

officers have completed their rotation in F, they submit their bids for other positions available on the open assignments lists.

The Civil Service (CS) recruitment and hiring program in F is integrated within both Agencies and is managed by the human resources specialists in each Agency, as with any other CS position. Like any other unit in State or USAID, F advertises CS positions as they become available and hires into these positions from applicant pools.

Questions for the Record Submitted to
Deputy Director Richard Greene by
Senator Daniel K. Akaka (#12)
Senate Committee on Homeland Security and Governmental Affairs
July 31, 2008

Question:

How has the F Bureau affected the ability of field missions to conduct oversight of foreign assistance programs?

Answer:

F has done several things to affect the ability of field missions to conduct oversight of foreign assistance programs. As part of our ongoing commitment to improving program performance, F – in coordination with State and USAID – has worked to institutionalize the dissemination of information, guidance and training on performance throughout both agencies.

Within F, the offices responsible for these efforts are the Program Integration and Strategic Information Units. The Program Integration Unit focuses on developing policy and guidance to institutionalize the use of performance in strategic planning and budgeting decisions. The Strategic Information, Monitoring and Evaluation Unit focuses on developing the systems and technologies for collection and utilization of performance-

related information and the policies and training for program monitoring and evaluation.

Examples of specific initiatives led by F to assist field missions in conducting oversight include developing and delivering jointly with State and USAID training that will enable field missions to monitor and report on the performance of their programs, including a Certificate Program in Evaluation and a training course on Budget and Performance Analysis. F also provides, through various web platforms available to field missions, reference materials, training modules and links to useful resources on performance monitoring and management.

Finally, F in collaboration with State and USAID, has undertaken a number of actions to reinvigorate the use, quality and quantity of independent program evaluations as a tool to improve both oversight and monitoring of current programs and planning for future programs. This includes creating an Interagency Foreign Affairs Evaluation Working Group, developing common terminology and standards for evaluations, and preparing stronger guidance to offices throughout USAID and State for reporting on evaluations undertaken and how they are used.

Questions for the Record Submitted to
Deputy Director Richard Greene by
Senator Daniel K. Akaka (#13)
Senate Committee on Homeland Security and Governmental Affairs
July 31, 2008

Question:

What are your top three recommendations for improving the U.S. foreign assistance bureaucracy?

Answer:

We have recently seen several significant reports on the future of U.S. foreign assistance and the ways in which the United States organizes, funds and delivers aid programs. The consensus in these reports is encouraging; and looking to the future, there are several aspects of foreign assistance reform around which there is broad agreement. First, we need clear lines of authority with budgets aligned to interagency strategies – with the agility and flexibility to move quickly when we are called to respond, without compromising commitments made. We need to have integrated country-based plans that support the host countries' development priorities and create alignment, collaboration and partnership with every player on the ground. Second, we need to have a continuous monitoring and evaluation program, to let us track our progress, and continue to learn what is most effective. Third, we need to recruit and retain a robust workforce, with

strong operational and technical skills. With a strong workforce, we will be able to effectively leverage private sector resources in every program to assure greater returns and more far-reaching results.

I would also note that we need adequate and sustained levels of foreign assistance funding to truly make progress toward the goal of transformational diplomacy: "*to help build and sustain democratic, well-governed states that respond to the needs of their people, reduce widespread poverty, and conduct themselves responsibly in the international system.*" Looking forward, I very much welcome the opportunity to work closely with Congress on these critically important issues.

Questions for the Record Submitted to
Deputy Director Richard Greene by
Senator Tom Coburn (#1)
Senate Committee on Homeland Security and Governmental Affairs
July 31, 2008

Question:

During the question and answer time with the second panel, the witnesses seemed to agree that relatively new foreign assistance initiatives like the President's Emergency Plan for AIDS Relief (PEPFAR) and the Millennium Challenge Corporation (MCC) are to blame for "weakening the core of U.S. foreign assistance." The solution that was presented was to consolidate all foreign assistance programs, such as PEPFAR and MCC, under the management of U.S. Agency for International Development (USAID). Both PEPFAR and MCC require standardized outcome measures and country-wide targets while most USAID programs do not have either one. MCC even conditions funding on outcomes. Why should we consolidate two initiatives that are working and produce measurable results into an agency that largely fails to produce measurable results?

Answer:

The Administration does not agree that the President's Emergency Plan for AIDS Relief (PEPFAR) and the Millennium Challenge Corporation (MCC) have weakened U.S. foreign assistance. On the contrary, these new approaches increase the array of tools for accomplishing foreign assistance objectives. Development is a complex effort requiring different approaches in different circumstances. PEPFAR's approach has been successful in bringing life-saving treatment for HIV/AIDS to more than 1.7 million people. The MCC's programs provide a powerful incentive for countries to

improve their policy performance. However, fragile and post-conflict states with weak governance need assistance to build sufficient capacity and political support to make and carry out decisions that will improve policy performance. The Administration strives to work with the Congress and partner countries to determine the most appropriate approach for each situation.

It is not accurate to say that USAID programs do not have standardized outcome measures and country-wide targets and have not achieved measurable results. For decades, USAID has been a leader in using performance indicators to measure and report on results at the country, regional or central program level. USAID's pioneering country-level Demographic and Health Surveys made it possible to establish meaningful targets and measure results as we do in PEPFAR, the President's Malaria Initiative and other health programs. USAID's collaboration with the World Bank in measuring the quality of the business environment has spurred countries to change regulations and procedures to make it easier to do business. The environment indicators used by the MCC were developed by USAID, and we have championed improvements in indices of democratic change. It is true that, until the foreign assistance reforms introduced by this

Administration, USAID did not consistently use *standard* measures that could readily be aggregated for all programs. Now, however, annual performance reports collect results information using standard measures and enable us to report on the results of all assistance managed by USAID and the State Department.

Questions for the Record Submitted to
Deputy Director Richard Greene by
Senator Tom Coburn (#2)
Senate Committee on Homeland Security and Governmental Affairs
July 31, 2008

Question:

After years of failure by USAID to have effective malaria programs, the President's Malaria Initiative (PMI) was established much like PEPFAR even though PMI is still part of USAID. In order for PMI to be created, malaria funding had to be removed from regional bureaus that failed to demonstrate results and reassigned back out through a centrally controlled program that enforced results, effective strategies, and good management and oversight. Do you agree that the reforms and changes in U.S. malaria policies through PMI saved the U.S. malaria program after years of failure under USAID's status quo? Why shouldn't the rest of USAID undergo similar reforms?

Answer:

Recent reforms and changes in U.S. malaria policies have significantly strengthened USAID malaria programs and allowed for the highly effective management of the President's Malaria Initiative (PMI). Although decision-making was centralized before PMI, the strategic shift in focus from technical assistance to commodity delivery and from a large number of recipient countries to a smaller number of priority countries significantly improved the effectiveness of the malaria program.

For the PMI and some other health programs, centralized management is appropriate when standardized tools and interventions are applicable globally [e.g., indoor residual spraying for malaria, vitamin A supplementation, directly observed treatment strategy (DOTS) for Tuberculosis (TB)].

It should not be assumed, however, that it is necessary to revamp USAID according to PMI, for much of what is best about PMI has, in fact, been the reason for our success in other health interventions. USAID has often had an excellent record in producing ***measurable results*** and making correct strategic decisions in health. These results include measurable increases in vaccination coverage rates, improved TB case detection and treatment success rates, increased contraceptive prevalence, etc. And these results were made possible by correct strategic decisions made in Washington by leadership within the Global Health Bureau; the PMI Coordinator has been given similar authority to make correct strategic decisions, and this is a major factor in PMI's success. These programs and all USAID health programs work to ensure that results and decisions are reported transparently and that decisions are strategic and evaluated according to measurable indices.

It should be noted that USAID is now replicating important aspects of the best of USAID's longstanding results-based management approach and its recent successes in PMI in the new Presidential Neglected Tropical Diseases Initiative, as well as in its expanded Maternal and Child Health and TB programs.

Not all of USAID programs are as easily measured in terms of quantitative outputs as are health interventions (consider democracy work in difficult situations, for example), but USAID leadership is committed to enabling correct strategic planning to occur and to measuring outcomes against concrete objectives. Indeed, USAID is currently applying lessons of the PEPFAR and PMI programs in areas such as food security and democratic governance.

Post-Hearing Questions for the Record
Submitted to Mr. Leo Hindery, Jr.
From Senator Daniel K. Akaka

"A Reliance on Smart Power – Reforming the Foreign Assistance Bureaucracy"
July 31, 2008

1. Could you comment on the idea that separate programs, such as the Millennium Challenge Corporation and PEPFAR, should be brought back in within the organizational structure of USAID?

   While it is important that the MCC be able to focus on its distinct mandate and that PEPFAR retain its focus on the global HIV/AIDS pandemic, it is equally critical that these be coordinated with other foreign aid programs – for reasons of efficiency in governance, effectiveness on the ground (including coordinating and thereby reducing the management demands placed on implementing agencies or host governments), and planning. Within an aid agency structure, these programs could remain semi-autonomous.

2. Like the military, the Foreign Service prefers to recruit most of its officers at the entry level. Dr. Adams suggests recruiting FSOs at the mid-career levels may be preferable since many, especially those who have served in the military, NGOs, or the business world, may bring programmatic, technical, or other critical skills.

   a. Do you think that the Foreign Service culture, especially at USAID, could find a greater role for mid-career level employees who desire to join the Foreign Service?

      Yes, both the Foreign Service and the Civil Service would benefit from mid-career personnel. The Foreign Service is now in crisis, with unfunded and unfilled positions, with the demands of the embassies in Iraq and Afghanistan, and with the personnel gaps in developing countries. USAID, in particular, is in urgent need of a reconstituted professional staff, and allowing for mid-career personnel recruitment could help to fill this critical gap. Finally, by drawing on a pool of mid-career entrants, the Foreign Service could tap into perspectives and experiences from relevant non-governmental sectors.

   b. Are there any obstacles that would prevent this from happening on a large scale?

      No, the problem has more to do with the management of wide-scale recovery and expansion of the professional foreign service.

3. Dr. Adams states that simply adding more FSOs is not enough, since a new breed of FSO or diplomat is needed. They must be able to conduct strategic planning, think about long-term issues, and design and implement programs.

   Is this something that can be accomplished given many of the current staffing limitations? If so, how?

This is difficult given current staffing limitations. However, two things would help. First, expanding the training programs offered to existing personnel would allow limited staff to manage new and multiple challenges, and would also build morale, which is dangerously low, to the point of having adverse effects on retention. Second, there is a need for integrated, interagency strategic planning, most effectively led by the NSC but also including relevant agencies. Were this capability to be enhanced, existing but limited staff would have greater guidance and direction. The bottom line, however, is that the ability of the United States to respond to or prevent the broad range of foreign policy challenges that now exist or will emerge is severely constrained by staffing shortfalls in our civilian foreign affairs agencies.

4. Mr. Worthington calls for a National Development Strategy. The Administration might argue that it has one already as contained in the 2002 and 2006 National Security Strategy.

    a. What is your reaction to this?

    I strongly support a separate National Development Strategy. At best, development is currently given short shrift in the National Security Strategy. As well, and even more important, there is no over-arching Strategy guiding the billions of dollars the U.S. allocates for foreign assistance, and therefore no policy guidance other than that provided by individual agencies. Finally, elevating development and ensuring that it is an integral part of our foreign policy apparatus require dedicated policy planning, coordinated with but not subjugated to either the NSS or the National Military Strategy.

    b. If you support the creation of a national strategy for foreign assistance, how would you develop it and what issues must be addressed?

    Ideally, and until foreign assistance is better coordinated and consolidated within the Executive Branch, the development of a National Development Strategy should be led by the NSC and NEC (because such Strategy would include not only State, USAID, DoD, etc but also Treasury, USTR and other economic agencies), and it should be coordinated with all relevant agencies. The Director of Foreign Assistance or the person mandated as the lead official on foreign aid should be given the lead on the development of policy. Currently, the combination of external earmarks and internal designations means that aid is most often allocated toward particular sectors (health, education, child survival, etc) without reference to conditions in a given country, the comparative advantages of the U.S., or the activities of other donors, and sometimes it is designated even before an aid official arrives in country. Going forward, the focus should be on broad goals – capacity building, for example – rather than on sectoral priorities. And the Strategy should also take into account the need for crisis prevention given the enormous challenges posed by weak and failing states, climate change and other global trends.

5. Sections 1206 and 1207 of the fiscal year 2006 National Defense Authorization Act allowed for a greater role of the U.S. military in foreign

assistance, whether it was through training and equipping other nation's forces or providing funding to the State Department's post-conflict restoration efforts.

a. Do you believe that these programs, funded outside of the State Department, generally help or hinder U.S. foreign assistance efforts?

There is no doubt that additional assistance is needed, that our crisis response and aid tools need to better reflect the world we live in, and that the Department of Defense has rightly identified development as a key component of our national security approach. There are, however, three problems: First, the bulk of new funds, accounts and programs established over the last 5-7 years are geared to crisis response, shaped by our experiences in Iraq and Afghanistan, rather than on the full range of crises we will face in the future or the development tools that are needed to prevent or manage them. Second, the creation of these new funds and accounts has contributed to the migration of what should be civilian capabilities to the military, thus weakening the State Department's role and increasing the perception abroad that the U.S. military is in the lead in foreign policy. And third, even as and where some of these new tools may be needed and effective, there is a continued tendency to "proliferate" new agencies, instruments and accounts, meaning that policy coherence is even more elusive than it was, that efficiencies are lost, and that there is no clarity regarding who is in charge.

b. To what extent should the military participate in foreign assistance?

The military has an important role in humanitarian operations (lift and coordination), needs the support of foreign assistance in stability operations, and has rightly identified development as a priority. However, and with the possible exception of train and equip programs, the overall responsibility for and the lead on foreign assistance should still rest with our civilian agencies.

6. Mr. Worthington characterizes the F Process as a big step backward and a failed attempt by the State Department to exercise undue influence in the development space. He claims that the common set of goals and objectives created failed to prioritize poverty reduction.

   How much of a role should the State Department have in this development space and what should be the priority missions?

   The State Department should have a role, but its expertise is not in development, nor is it operational, which a development agency must be. As well, State has to address real-time, immediate challenges. It makes sense for State to retain authority over the allocation of ESF funds, but the development mandate needs to rest with an entity that has the professional knowledge and background required and the operational capabilities needed for implementation.

7. The position of Director of Foreign Assistance has been held concurrently by the Administrator of USAID since its establishment in 2006.

Can you share your thoughts on the pros and cons of having the same person perform both of these functions?

This is not a significant problem provided the Director of Foreign Assistance is given the authority to coordinate foreign assistance across the interagency, however, it still might make sense to identify a separate individual to run USAID. The "dual-hatting" issue is less a problem than is the fact that the Director of Foreign Assistance has only limited reach – in fact, more foreign assistance is today outside the Director's mandate than within it.

8. What are your top three recommendations for improving the foreign assistance bureaucracy?

First, there is an urgent need for a comprehensive mapping of foreign aid programs, authorities and funds across the Executive Branch, and of jurisdiction in Congress, that can serve as the basis for clear decisions about integrating, consolidating and better coordinating U.S. foreign aid. With this would come the harmonization of policies, programs, programming standards, etc., and the reduction of bureaucracy and costs. Second, there is an urgent need to right the balance between our military and civilian capabilities on development and crisis response, which can be achieved in part by re-staffing our professional development (and other Foreign Service) corps and by developing a National Development Strategy that can guide all relevant agencies. Third and finally, there is an enormous need for a reorganization, to include updated Foreign Aid legislation.

Post-Hearing Questions for the Record
Submitted to Leo Hindery, Jr.
From Senator Tom Coburn, M.D.

"A Reliance on Smart Power – Reforming the Foreign Assistance Bureaucracy"
July 31, 2008

Questions for Panel II:

1. During the question and answer time with the second panel, the witnesses seemed to agree that relatively new foreign assistance initiatives like the President's Emergency Plan for AIDS Relief (PEPFAR) and the Millennium Challenge Corporation (MCC) are to blame for "weakening the core of U.S. foreign assistance." The solution that was presented was to consolidate all foreign assistance programs, such as PEPFAR and MCC, under the management of U.S. Agency for International Development (USAID). Both PEPFAR and MCC require standardized outcome measures and country-wide targets while most USAID programs do not have either one. MCC even conditions funding on outcomes. Why should we consolidate two initiatives that are working and produce measurable results into an agency that largely fails to produce measurable results?

2. After years of failure by USAID to have effective malaria programs, the President's Malaria Initiative (PMI) was established much like PEPFAR even though PMI is still part of USAID. In order for PMI to be created, malaria funding had to be removed from regional bureaus that failed to demonstrate results and reassigned back out through a centrally controlled program that enforced results, effective strategies, and good management and oversight. Do you agree that the reforms and changes in U.S. malaria policies through PMI saved the U.S. malaria program after years of failure under USAID's status quo? Why shouldn't the rest of USAID undergo similar reforms?

There are several issues at play here, warranting two overarching comments:

First, it is true that USAID is in many ways dysfunctional and has been less capable at delivering results than, for example, the MCC, and it is also true that USAID is in need of reform. However, there are two underlying factors that must first be acknowledged:

1) The MCC, PEPFAR and PMI are very specific mandates and programs, as opposed to broadly-mandated development agencies: the MCC provides aid investments to countries that are making economic and political progress in order to consolidate those gains; PEPFAR addresses HIV and AIDS; and PMI addresses malaria; and

2) None of these three new entities can or is mandated to (just for example): address the challenges posed by the estimated 53 weak and failing states that threaten global stability; address the development challenges in the Federally Administered Tribal Areas of Pakistan; tackle the acute economic and political disruptions that have emerged in the face of the global food crisis; build the capacity needed in the developing world to manage, say, an Avian flu epidemic; shore up the peace agreement in southern Sudan or

address the crisis in Darfur; or build the institutions needed in Iraq or Nigeria to sustain democracy, all of which are messier and more complex tasks for which achieving outcomes is both more difficult and less precise.

This is not to suggest that USAID should be given a free pass for its failures and limitations – it is simply to suggest that comparing USAID's success to the MCC's or PEPFAR's or PMI's is to compare apples and oranges.

Second, one of the reasons for USAID's limitations is its institutional weakness. The agency had 15,000 professional employees at the height of the Vietnam War, yet it has less than 3,000 today, and as such, it is heavily reliant on outside contractors. Ironically, at the same time it has been tasked to help implement the MCC agenda, but without accruing any of the credit that comes to the MCC. The pattern of successive Administrations has been to rightly conclude that USAID is not working effectively, but in response, rather than fix it, they have created new programs that address a limited number of sectors (e.g., AIDS or malaria) and a limited number of countries (i.e., none of MCC, PEPFAR or PMI has a global mandate, and each is restricted to only a subset of countries).

Conclusion: Part of the solution must be to "fix" USAID so that the U.S. has the benefit of an effective development agency that can tackle a host of challenges that fall outside of the MCC, PEPFAR and PMI. The solution may be a modernized and reconstituted USAID, a new development agency modeled on the UK approach, which I and my colleagues support, or some other – but the fact remains that the U.S. government has an enormous capability gap, and while the MCC, PEPFAR and PMI are all laudable, important and thus far successful initiatives, they do not cover all of the bases. While it makes sense to adopt the "lessons learned" from these programs, it is also important to recognize that making a major grant to a functional, forward-moving country – as the MCC does – or providing life-saving assistance to a specific sector of a population – as PEPFAR does – are very different than, for example, trying to promote development in Nigeria, a country that is a major oil supplier to the U.S.

Post-Hearing Questions for the Record
Submitted to Dr. Gordon Adams
From Senator Daniel K. Akaka

"A Reliance on Smart Power – Reforming the Foreign Assistance Bureaucracy"
July 31, 2008

1. Could you comment on the idea that separate programs, such as the Millennium Challenge Corporation and PEPFAR, should be brought back in within the organizational structure of USAID?

   I would support finding a way to bring MCC and PEPFAR into the architecture of an expanded and empowered foreign assistance organization. As I said in my testimony, the "diaspora" or organizations is a weakness of the current foreign assistance structure.

2. Mr. Worthington states that the common set of goals and objectives established by State and USAID fail to truly prioritize poverty reduction, and thus were the wrong goals and objectives.

   What is your response to this statement and do you agree with him that the same is true of the performance indicators, which measure a long list of outputs rather than impact or outcomes?

   All the goals of our diplomacy and foreign assistance efforts are important, and poverty reduction should be among those goals. The State Department is coming to that realization. The goal of assisting transitions in fragile states is also important, and USAID is coming to that realization. The reality is that the long and the short, our security and our development goals are connected. The organizations responsible for policies and programs in these areas should be connected, as well.

3. Mr. Worthington calls for a National Development Strategy. The Administration might argue that it has one already as contained in the 2002 and 2006 National Security Strategy.

   a. What is your reaction to this?

   b. If you support the creation of a national strategy for foreign assistance, how would you develop it and what issues must be addressed?

   We need a national security strategy that recognizes and accords an important place to development as part of our overall policy. I would address it by making a Senior Director at NSC responsible for foreign

assistance coordination, co-chairing a working group with the State Department's Deputy Secretary for Management and Resources, who would be dual-hatted as USAID Administrator. They would co-chair an interagency working group on foreign assistance, including agencies working overseas but not now in the Function 150 world. This group would develop a foreign assistance strategy, including dealing with poverty reduction, economic support, fragile state policies and programs, and economic development.

4. Sections 1206 and 1207 of the fiscal year 2006 National Defense Authorization Act allowed for a greater role of the U.S. military in foreign assistance, whether it was through training and equipping other nation's forces or providing funding to the State Department's post-conflict restoration efforts.

    a. Do you believe that these programs, funded outside of the State Department, generally help or hinder U.S. foreign assistance efforts?

    b. To what extent should the military participate in foreign assistance?

I think the Section 1206 program should be moved to the State Department, with State as the responsible authority for policies and budgets. DOD would continue to implement these programs. Section 1207 should be a temporary authority, to be replaced by adequate funding for State/USAID for such activities. In general, DOD should continue to be the primary implementing agency for security assistance programs, but overall foreign policy and budget authority should lie with the civilian agencies.

5. Mr. Worthington characterizes the F Process as a big step backward and a failed attempt by the State Department to exercise undue influence in the development space. He claims that the common set of goals and objectives created failed to prioritize poverty reduction.

    How much of a role should the State Department have in this development space and what should be the priority missions?

The work of the Office of the Director of Foreign Assistance represents significant progress in creating a more coherent, integrated, strategically-driven planning and budgeting process for foreign assistance. It is, with all its flaws, an enormous step forward. Future reforms of that process would include greater initiative and impact of the field level in foreign assistance budgeting and greater transparency with the Congress. In addition, program objectives should drive the planning process, rather than country type. Finally, the process needs to extend itself to a longer time horizon (five years), and cover a broader range of programs, including much of Function 150.

6. The position of Director of Foreign Assistance has been held concurrently by the Administrator of USAID since its establishment in 2006.

   Can you share your thoughts on the pros and cons of having the same person perform both of these functions?

   My view is that State/USAID badly needs a second Deputy Secretary of State for Management and Resources, responsible for the internal management of the State Department and USAID, and for budget planning for diplomacy and foreign assistance. At the very least, this official should have responsibility for the budget process. In order to ensure that foreign assistance programs have visibility and voice both with Congress and in executive branch decision-making, this official should be dual-hatted as the Administrator of USAID.

7. What are your top three recommendations for improving the foreign assistance bureaucracy?

   First, appoint the second Deputy Secretary of State, dual-hatted as the USAID Administrator. Second, incorporate MCC and PEPFAR in the organizational architecture of USAID, or a reformed and empowered foreign assistance agency reporting to the Secretary of State. Third, move the DOD foreign assistance programs that have been created under DOD authorities to the State Department, making State responsible for policy and budgeting, while DOD continues to be the implementing organization.

Post-Hearing Questions for the Record
Submitted to Gordon Adams
From Senator Tom Coburn, M.D.

"A Reliance on Smart Power – Reforming the Foreign Assistance Bureaucracy."
July 31, 2007

Questions for Panel II:

1. During the question and answer time with the second panel, the witnesses seemed to agree that relatively new foreign assistance initiatives like the President's Emergency Plan for AIDS Relief (PEPFAR) and the Millennium Challenge Corporation (MCC) are to blame for "weakening the core of U.S. foreign assistance." The solution that was presented was to consolidate all foreign assistance programs, such as PEPFAR and MCC, under the management of U.S. Agency for International Development (USAID). Both PEPFAR and MCC require standardized outcome measures and country-wide targets while most USAID programs do not have either one. MCC even conditions funding on outcomes. Why should we consolidate two initiatives that are working and produce measurable results into an agency that largely fails to produce measurable results?

   Both PEPFAR and MCC are important innovations in U.S. foreign assistance. While both should be incorporated into a larger, empowered foreign assistance agency, these innovations should not be lost. USAID, or any successor foreign assistance agency should include performance measurement, outcome measurement, and country-wide targeting, as part of its way of doing business. Today, it is virtually impossible to do sensible priority-setting and strategic planning for foreign assistance because of the "diaspora" of spigots providing assistance. The overall impact of the effort is weakened, as a result; it is the single most important element in the weakness of U.S. foreign assistance.

2. After years of failure by USAID to have effective malaria programs, the President's Malaria Initiative (PMI) was established much like PEPFAR even though PMI is still part of USAID. In order for PMI to be created, malaria funding had to be removed from regional bureaus that failed to demonstrate results and reassigned back out through a centrally controlled program that enforced results, effective strategies, and good management and oversight. Do you agree that the reforms and changes in U.S. malaria policies through PMI saved the U.S. malaria program after years of failure under USAID's status quo? Why shouldn't the rest of USAID undergo similar reforms?

   Reforming USAID is absolutely critical. The innovations of the malaria program, as well as MCC and PEPFAR make an important contribution to that reform. It is not enough to simply grow USAID, as it currently operates. It needs to become more agile, more programmatically skilled, able to focus on both the short and long-term, better at planning, and less of a "contracting out" organization.

Post-Hearing Questions for the Record
Submitted to Anne C. Richard
From Senator Daniel K. Akaka

"A Reliance on Smart Power – Reforming the Foreign Assistance Bureaucracy."
July 31, 2007

1. **Mr. Worthington states that the common set of goals and objectives established by State and USAID fail to truly prioritize poverty reduction, and thus were the wrong goals and objectives.**

   What is your response to this statement and do you agree with him that the same is true of performance indicators, which measure a long list of outputs rather than impact or outcomes?

   Answer: Sam Worthington and the relief and development agencies that make up the Interaction coalition are dedicated to reducing poverty around the world. Many of us are strong partners of the US government, combining our resources (including support from literally millions of American families) with US government grants and aligning our efforts. We work side-by-side with US diplomats and development experts overseas. When Ambassador Tobias unveiled a new set of goals and objectives for US foreign aid that ignored a major, stated goal of the NGO community, it was an alarming omission.

   The problem with a term like "poverty reduction" is that it sounds technical, does not explain how poverty is reduced, and fails to convey the real-life stories behind the term. Put simply, we want to help poor people around the world, so that they achieve a better standard of living. Through programs designed to improve their health, educate their children, protect them and show them ways to make a living, we know that US-funded programs can make remarkable differences. Without these programs, people can be stuck in tragic circumstances characterized by illiteracy, malnutrition, low birth weight babies, and alarming rates of maternal mortality. With them, they can not only survive but can begin to thrive – caring for themselves and their families, contributing to their own societies and, ultimately, improving the world in which we all live.

   No one set of programs will achieve these results. Health, education, environmental programs, small-scale economic projects and efforts that aim to help people resolve conflicts, understand their rights and organize to govern themselves – all of these are needed if we are to tackle poverty.

2. **Mr. Worthington calls for a National Development Strategy. The Administration might argue that is has one already as contained in the 2002 and 2006 National Security Strategy.**

   a. **What is your reaction to this?**

      Answer: There is no reason that there can't be a more detailed strategy to guide the US government's relief and development programs overseas. A National Development Strategy would have to complement the National Security Strategy,

of course. It would also have to address US policies related to the international financial institutions and use of other multilateral development mechanisms, such as US contributions to UN development programs.

b. If you support the creation of a national strategy for foreign assistance, how would you develop it and what issues must be addressed?

Answer: I would suggest that the process be run by the next Administrator of USAID, involve representatives from all major aid agencies/offices, and that the Administrator be given a great deal of discretion over the final content of the document. In this way, the Administrator's leadership of US development policy would be strengthened. There would have to be some sort of White House/NSC/OMB vetting of the strategy, but the process will work best if the President approves and reinforces the strategic vision of the USAID Administrator.

One pitfall might be that a great deal of US government resources and personnel could be consumed by a lengthy, bureaucratic strategic planning process involving many agencies. It would be important to balance a comprehensive, inclusive process against the need to produce something helpful and usable in the short term.

3. Sections 1206 and 1207 of the fiscal year 2006 National Defense Authorization Act allowed for a greater role of the U.S. military in foreign assistance, whether it was through training and equipping other nation's forces or providing funding to the State Department's post-conflict restoration efforts.

a. Do you believe that these programs, funded outside of the State Department, generally help or hinder U.S. foreign assistance efforts?

Answer: I believe reconstruction and stabilization programs and foreign military assistance should be funded where they belong in the international affairs budget. As far as I can tell, the main reason new programs are funded in the Defense Department is because DOD has a vastly larger budget that does not suffer from the intense competition for scarce resources that characterizes the international affairs budget.

b. To what extent should the military participate in foreign assistance?

Answer: The military has a role in foreign assistance, but that role should be limited.

Traditionally, the Secretary of State determines how much aid to allocate to foreign militaries and the Defense Security Assistance Agency is the chief implementer of US military assistance. This arrangement makes sense. Unfortunately, new programs have been funded at the Pentagon that are duplicative of some traditional military assistance programs.

With regard to relief programs, the military's role should be limited to providing unique capabilities. In sudden onset natural disasters, the US military has

impressive capacity to deliver quality engineering and transportation capabilities, logistical personnel and materials, and emergency telecommunications quickly and with global reach.

In terms of reconstruction and development, the military should focus on security-related missions, and not undertake long-term development projects best left to experts from aid agencies.

In sum, I oppose the sizable expansion of the military's involvement in foreign assistance that has taken place over the past eight years.

4. **Mr. Worthington characterizes the F Process as a big step backward and a failed attempt by the State Department to exercise undue influence in the development space. He claims that the common set of goals and objectives created failed to prioritize poverty reduction.**

   How much of a role should the State Department have in this development space and what should be the priority missions?

   Answer: The State Department can play a constructive role with regard to US development programs.

   Coordination: An office like the F bureau can play a very important role by coordinating across programs and agencies, identifying gaps and rooting out redundancies, tracking overall aid levels, and developing joint materials and presentations

   Coherence with US foreign policy: Even if the State Department had not been asked to play this important coordinating role, the State Department would still need close relations with USAID on development issues. Senior Department leaders would also want assurances that aid programs were consistent with, and not undermining, overall US foreign policy.

   When the Secretary of State meets with a foreign dignitary, she should know what US aid programs are benefiting that country and have a good grasp of overall size of the aid program, its goals, and the types of projects being undertaken. She and others at the State Department should understand how US aid fits within overall US bilateral relations and compares to other major government donors – and this understanding should derive, in part, from discussions with USAID. Also, the State Department can help ensure that US support for multilateral development efforts complement bilateral aid programs.

   Championing the Budget: In line with the above, the Secretary approves the budget for USAID and has authority to allocate foreign aid. The Secretary can also play a very constructive role by calling for investment in the entire international affairs budget with OMB, the White House, the Congress and the public.

5. **The position of Director of Foreign Assistance has been held concurrently by the Administrator of USAID since its establishment in 2006.**

   Can you share your thoughts on the pros and cons of having the same person perform both of these functions?

Pros:

- Ensures close linkages between the US foreign policy establishment and development experts.
- Gives USAID staff a direct line into State Department deliberations at the most senior levels.

Cons:

- Means Administrator of USAID may be reluctant express views independent of or to disagree with Secretary of State.
- Also means Administrator will be pulled away from important work as leader of USAID for other, competing tasks related to other programs/State Department bureaus.

6. What are your top three recommendations for improving the foreign assistance bureaucracy?

Answer:

1) Consolidate as many development programs as possible within USAID under a single strong leader who is respected by/engages with rest of foreign policy/national security team.
2) Improve coordination of foreign assistance programs across the US Government. One way to do this is to build on the existing "F" bureau at the State Department.
3) Create a directorate at the National Security Council that looks at foreign assistance and related programs from the "big picture" perspective and advocates for strengthening these programs. This directorate must be staffed by experienced aid experts -- yet should remain small so it does not become operational and duplicate efforts at State and USAID.

Post-Hearing Questions for the Record
Submitted to Anne C. Richard
From Senator Tom Coburn, M.D.

"A Reliance on Smart Power – Reforming the Foreign Assistance Bureaucracy."
July 31, 2007

Questions for Panel II:

1. **During the question and answer time with the second panel, the witnesses seemed to agree that relatively new foreign assistance initiatives like the President's Emergency Plan for AIDS Relief (PEPFAR) and the Millennium Challenge Corporation (MCC) are to blame for "weakening the core of U.S. foreign assistance." The solution that was presented was to consolidate all foreign assistance programs, such as PEPFAR and MCC, under the management of U.S. Agency for International Development (USAID). Both PEPFAR and MCC require standardized outcome measures and country-wide targets while most USAID programs do not have either one. MCC even conditions funding on outcomes. Why should we consolidate two initiatives that are working and produce measurable results into an agency that largely fails to produce measurable results?**

   My concern about these programs was not that they were created, but that they were created as completely new organizations and were deliberately set up outside of USAID (although both depend on USAID resources, such as personnel at USAID missions). The USAID Administrator even had to fight for a seat on the MCC board. This has exacerbated the problem of having multiple development agencies/actors. It also reveals a failure to identify and address head-on whatever problems the Administration thought existed at USAID.

   The heart of your question, however, is about the value of outcome measures and targets. I agree with you that government agencies must strive to devise and use outcome measures and targets. It is particularly challenging to do this in the areas of diplomacy and development.

   Some programs, such as health programs where birth, mortality and morbidity rates can be tracked, lend themselves to quantitative measures. In other areas, this is much harder. How does one measure if a program to fight corruption or enhance transparency or empower women is really making progress? And just because outcomes are difficult to measure or not good, this does not mean funding should be cut. For example, decades of Middle East peace negotiations have shown little in measurable results in terms of solving the Israel-Palestinian conflict, and have been affected by many external factors outside of US Government influence, but the diplomats involved in such negotiations deserve support.

   Despite the challenges, we must as a community of people who care about these programs develop even very basic indicators that can help measure and track whether programs are achieving results. One of the selection criteria for the next Administrator of USAID could be that this person commit to making this effort a priority.

2. **After years of failure by USAID to have effective malaria programs, the President's Malaria Initiative (PMI) was established much like PEPFAR even though PMI is still part of USAID. In order for PMI to be created, malaria funding had to be removed from regional bureaus that failed to demonstrate results and reassigned back out through a centrally controlled program that enforced results, effective strategies, and good management and oversight. Do you agree that the reforms and changes in U.S. malaria policies through PMI saved the U.S. malaria program after years of failure under USAID's status quo? Why shouldn't the rest of USAID undergo similar reforms?**

   In addition to the changes you describe, the PMI has benefitted from high-level White House attention, Congressional and public support, and increased funding. These factors also can help improve chances that a development aid program will be a success.

InterAction
American Council for Voluntary International Action

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Kathy Spahn, *Helen Keller International*
Richard Stearns, *World Vision*
Tsehaye Teferra,
Ethiopian Community Development Council
Sam Worthington (Ex-Officio)

1400 16th St., NW
Suite 210
Washington, DC 20036
PHONE: (202) 667-8227
FAX: (202) 667-8236
E-MAIL: ia@interaction.org
http://www.interaction.org

September 25, 2008

Senator Daniel Akaka
141 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Akaka,

I have attached my answers to your two questions for the record following the July 31, 2008 Senate HSGAC subcommittee hearing on, "A Reliance on Smart Power - Reforming the Foreign Assistance Bureaucracy."

I thank you for the opportunity to testify before your subcommittee, and I appreciate your interest in improving the foreign assistance bureaucracy. Any effort to reform foreign assistance will have to take into account the bureaucratic constraints to effective foreign assistance, and I applaud you for beginning the first of what I hope are many discussions on this issue.

Best,

Sam Worthington
President & CEO
InterAction

Q1: Could you comment on the idea that separate programs, such as the Millennium Challenge Corporation and PEPFAR, should be brought back in within the organizational structure of USAID?

I would not recommend bringing MCC, PEPFAR, and other large development programs under the organizational structure of USAID as the agency currently exists. Years of neglect by Congress and the administration have left the agency a fragile shell of its former self, and it would be imprudent to suggest that USAID could handle that level of new responsibility without serious revitalization. Rather, I believe, as do a growing number of foreign policy and international development experts, that the United States requires a single National Development Strategy that brings all of our development assistance programs, including MCC and PEPFAR, under a single unified framework, overseen by a Cabinet-level department focused on humanitarian relief and international development. Critics of this model often believe, incorrectly, that we are proposing the elevation of USAID to the Cabinet-level. This is simply not the case. We envision an entirely new department, with 21st century capabilities to meet 21st century challenges, that brings the best development interventions together beneath one roof. We also believe that our government requires

Q2: General Pete Chiarelli, a former U.S. commander in Iraq, has said USAID has become little more than a contracting agency. In another part of U.S. Central Command's area of responsibility, more than 50 percent of USAID funding in Afghanistan goes to five for-profit companies who do contracting.

What are the implications of having so much of our development work contracted out?

General Chiarelli has put his finger on a troubling trend. Decades of cuts to the agency's staffing levels have left USAID without the human capacity it needs to adequately manage its global development programs. For example, USAID Deputy Administrator Jim Kunder remarked last year that, "Federal guidelines indicate that the average [U.S. Government] contracting officer should manage around $10 million in contracts per year; in USAID each contracting officer oversees an average of $57 million in contracts. At some point the system's management and oversight capabilities are simply overstressed."[1] Simply put, USAID does not have enough staff to manage the many small and medium-sized grants and cooperative agreements that it once did, and it has been forced to implement development programs through larger and larger Indefinite Quantity Contracts (IQCs), also known as "umbrella contracts."

The growing use of IQCs has several consequences for development programs and the nongovernmental organizations (NGOs) that implement them. First, IQCs essentially outsource USAID's technical capacity by shifting the management of development programs to a few large contractors or NGOs that have won those contracts, which undermines the agency's ability to retain its institutional expertise. This, combined with the continual cuts to its human capacity, has had a pronounced negative effect on USAID's ability to be an effective international development agency.

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[1] ACVFA Public Meeting, May 23, 2007

Second, while these IQCs generally provide many sub-grants and subcontracts to smaller organizations, they are by their very nature biased to large institutions, which have the capacity to successfully manage them. This favoring of very large contractors and organizations not only reduces competition, and therefore the purchasing power of American tax dollars, but it also stifles the innovation of smaller indigenous nongovernmental organizations, which are often best able to ascertain and address the needs of communities throughout the developing world. The reduction in competitors leads to situations like the one you describe in your question, where only five or six for-profit companies control the entire foreign assistance portfolio in a country of critical strategic importance to the United States. Given the detrimental effect this has on development programs, you are rightly concerned with this phenomenon.

Third, the agency's shift to large umbrella contracts has fundamentally changed the way USAID relates to the community of American international relief and development NGOs that has historically implemented the lion's share of U.S. foreign assistance. These organizations are the face of the American people in the developing world, and represent one of our truest core values: that the United States will lend a helping hand whenever and wherever it is needed. The problem though, is that USAID increasingly views its relationship with the implementing community as a contractual one, rather than as a partnership, which it has traditionally been. NGOs are seen as middlemen who purchase development outcomes on behalf of the U.S. Government. This is in spite of the fact that U.S. NGOs often operate in recipient communities long before the U.S. Government decides to fund a project there, and continue to operate in those communities long after the government has shifted its priorities and resources elsewhere. This on-the-ground expertise, combined with $6 billion in private contributions from the American public – double the amount that InterAction members receive in official assistance from the USG – means that NGOs ought to be treated as co-equal partners with USAID when designing and implementing development programs. Unfortunately, this is less and less the case.

There are many development contractors doing very good work around the world, often in partnership with InterAction members, and it is not my intent to disparage the quality of their work. Rather, my problem is with the funding instrument itself, which hampers the effectiveness of development programs managed by non-profit NGOs by imposing a top-down, tightly controlled management system on a process that works best when it captures and acts on the ideas of beneficiary communities in a bottom-up manner.

Q3: You mention that USAID's staff has declined while the amount that each contracting officer oversees has gone up.

a. *Hasn't USAID contracted out some of this oversight by using more large contracting companies with Indefinite Quantity Contracts and NGOs to implement and manage contracts?*
b. *Doesn't the proliferation of NGOs have an effect on the ability of USAID to manage and establish coherence in its projects?*

You are right. USAID has contracted out a large portion of its oversight functions through the use of IQCs but, as I describe in my answer above, this is not a long-term solution to USAID's human capacity problems. Rather, the practice further undermines the agency's shortcomings in

this area, and deprives USAID of its institutional memory and expertise on best practices and lessons learned.

As for your second question, InterAction applauds the diversity of civil society, both in the United States and in the developing world. Having worked in this field for more than twenty years, it has been my experience that civil society grows in a patchwork fashion, filling in gaps rather than duplicating existing capabilities. Furthermore, InterAction has twenty-five member organizations that manage upwards of $100 million per year. It should not be hard for USAID to manage its partnerships with twenty-five organizations in a coherent fashion. For these reasons, I would reject any hypothesis that posits that the proliferation of NGOs has negatively affected USAID's ability to manage its projects.

Q4: You call for a National Development Strategy. The Administration might argue that it has one already as contained in the 2002 and 2006 National Security Strategy.

a. *What is your reaction to this?*
b. *If you support the creation of a national strategy for foreign assistance, how would you develop it and what issues must be addressed?*

The elevation of development in the 2002 and 2006 National Security Strategies (NSS) was an important recognition by the Executive branch of the importance of development relative to defense and diplomacy to international stability and U.S. national security. However, the NSS is, by definition, a security strategy and does not attempt to prioritize or rationalize our development programs in any way. Therefore, I do not think it is reasonable to argue that a National Development Strategy (NDS) already exists within the National Security Strategy. I do believe though, that the National Development Strategy should be derived from the National Security Strategy. Just as the National Military Strategy, produced by the Defense Department, articulates how military assets will advance the foreign policy objectives contained in the National Security Strategy, the NDS would do the same thing for development activities.[2]

A new National Development Strategy ought to be developed in consultation with the government agencies that deliver development assistance, as well as with the community of organizations that implement development programs around the world. At the very least, it ought to include the following elements:

- Strategic Vision identifying the top priorities and development goals of the U.S. Government
- Theory of Development explaining the mechanisms the U.S. Government will support to bring about sustainable, poverty-focused economic growth;
- Apportionment of Responsibilities articulating the specific tasks for which various U.S. Government agencies will be responsible;
- Relationship with Partners delineating how the U.S. Government will work with various international partners, donor countries, civil society, and beneficiaries.[3]

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[2] See forthcoming: "A National Development Strategy for the United States," by Gayle E. Smith and Reuben E. Brigety II. http://www.americanprogress.org/issues/2008/06/sustainable_security2.html/#full
[3] *Ibid*

Furthermore, as I described in my testimony, the National Development Strategy would acknowledge the important role of the NGO community in implementing humanitarian and development programs, and recognize the role of women in reducing poverty and expanding economic growth. It would also articulate the boundaries between development, defense, and diplomacy and, above all, prioritize poverty reduction as a key goal of U.S. foreign assistance.

Q5: Sections 1206 and 1207 of the fiscal year 2006 National Defense Authorization Act allowed for a greater role of the U.S. military in foreign assistance, whether it was through training and equipping other nation's forces or providing funding to the State Department's post-conflict restoration efforts.

a. *Do you believe that these programs, funded outside of the State Department, generally help or hinder U.S. foreign assistance efforts?*
b. *To what extent should the military participate in foreign assistance?*

To answer the first part of your question, aside from the additional resources that Section 1207 brings to the 150 Account for State and Foreign Operations, the Department of Defense's (DoD) added value in foreign assistance is not apparent from a development perspective.

The military lacks the specialized expertise necessary to provide sustainable development assistance and should not be engaged in development activities in general, and only in humanitarian response as a last resort. Even when DoD funding for development programs is passed through USAID, many NGOs are wary of taking funds linked to military and/or political objectives. NGOs ought to be notified about any links to DoD when accepting funds from the U.S. Government, and reserve the right to request additional guarantees to ensure that DoD does not publicize such programs or visit project sites as part of the monitoring process.

In response to the second part of your question, militaries have frequently been involved in natural disaster response. Their contributions in the Asian tsunami and the Pakistan earthquake were invaluable and appreciated by both disaster victims and NGOs. Militaries have a clear advantage over civilian agencies when it comes to logistical, air and water transport, and engineering capacities. These are most effective when coordinated with civilian expertise, which can be found at USAID, the UN and NGOs.

In other disaster contexts, however, the military's involvement in emergency relief, stabilization and reconstruction is deeply problematic because of its security focus and lack of specialized expertise. Well-intended projects may have negative consequences and are often unsustainable due to the military's short-term goals and high turnover. Relief activities by the military also compromise the security of NGO staff in or near conflict areas by blurring the lines between humanitarian and military personnel.

NGOs take a different approach: they acquire a deep understanding of local societies, make a long-term commitment, employ largely local staff, and design projects with community participation and cultural sensitivity to ensure sustainability. NGOs operate in a multi-lateral context with the host government taking the lead, and when local institutions are not functioning, the UN. Instead of weapons or armed guards, NGOs rely on perceived impartiality and the trust of the communities they work in for their security. In conflict situations, NGO staff will

generally keep their distance from the military unless deemed necessary to address civilian needs. This should not be viewed as hostility to the military, but as a necessary and vital measure for security.

The military, therefore, should not consider NGOs as "force extenders" or assume their cooperation, and should leave development and most humanitarian response to NGOs as much as possible. NGOs recognize that communication with the military is mutually beneficial when conducted in a neutral space, as reflected in the *InterAction-Department of Defense Guidelines for Relations between U.S. Armed Forces and Non-Governmental Humanitarian Organizations in Hostile or Potentially Hostile Environments.*[4] Although the guidelines apply in hostile and potentially hostile environments, they provide useful measures in any environment where the military is present.

Q6: You characterize the F Process as a big step backward and a failed attempt by the State Department to exercise undue influence in the development space. Further, you claim that the common set of goals and objectives created failed to prioritize poverty reduction.

How much of a role should the State Department have in this development space and what should be the priority missions?

I want to make clear that my remarks about the "F process" in my testimony were focused on the process itself, and were not meant to be an indictment of the current leadership or staff of the Office of the Director of Foreign Assistance. The current leadership has worked very well with the InterAction community and has earned our respect.

That said, the NGO community continues to see the "F" framework, its structure, and the associated systems as being fundamentally flawed. These systems run counter to our belief that U.S. development programs should be elevated and not subordinated within our government.

Proponents of a new Cabinet-level department focused on humanitarian relief and international development understand that diplomatic and strategic concerns have a rightful place in American foreign assistance, and some of those programs will necessarily be led by the State Department. We acknowledge the importance of Economic Support Funds (ESF), for instance, and in our paper Proposed Major Components and Organization of a Cabinet-level Department for Global and Human Development, we propose that the State Department retain control over ESF allocations. That said, we argue that a new Department for Global and Human Development (DGHD) would actually implement "projectized" ESF assistance to ensure that the funds are spent on legitimate development programs. "For example, the State Department would examine country allocations by the DGHD, and, where it concluded that a particular country required additional assistance, would decide to allocate ESF. Then, in consultation with the DGHD, the most appropriate mix of programs would be decided upon. In ESF decisions, the State Department would have the lead in suggesting sectors, while the DGHD would retain the authority to design and manage the most effective programs within the sector. ESF allocations

[4] http://www.interaction.org/files.cgi/5896_InterAction_US_Mil_CivMil_Guidelines_July_07_flat.pdf

could be made on rare occasions as direct cash transfers to a country's government, but most ESF funds would go to projects designed and managed by the DGHD."[5]

Clearly, we recognize the role that the State Department should play in directing economic and security assistance, but we also recognize that development professionals must be given the autonomy they require to design and implement effective programs. We do not believe that such autonomy is possible when U.S. development programs are subordinated to the State Department, and therefore believe that State should play a very minimal role in the development sphere.

Q7: The position of Director of Foreign Assistance has been held concurrently by the Administrator of USAID since its establishment in 2006.

Can you share your thoughts on the pros and cons of having the same person perform both of these functions?

One of the first problems we encountered with the "dual-hatted" structure of the Director of Foreign Assistance (DFA) position is that neither person to hold that job has been Senate-confirmed in that role, and the "F process" was thus initiated and carried forward with very little congressional consultation or oversight. Had the administration sought Senate confirmation for the Director of Foreign Assistance position in the first place we might have avoided some of the initial pitfalls of the "F process."

In terms of the pros and cons of having the same person serve as both USAID Administrator and Director of Foreign Assistance concurrently, I would say that the sole benefit is that *if* development programs *must* be housed within the Department of State, at least the DFA, holding a rank equivalent to Deputy Secretary of State, can represent the interests of development and humanitarian relief at the highest levels of the Department of State.

That said, I do not believe that either humanitarian and development programs or the Department of State benefit when the former is subordinated to the latter. For one thing, managing poverty reduction and economic growth programs is well outside most diplomats' professional expertise. As Lael Brainard of the Brookings Institution and others have pointed out, the State Department has neither the culture nor the capacity to be an effective operational agency. For another thing, managing such programs pulls the State Department away from the core activities of diplomacy: reporting, negotiations, and inter-governmental relations. Those who argue for a complete merger of development programs into the State Department risk weakening both our development and diplomatic programs.

Finally, as the Office of the Director of Foreign Assistance found out when it first rolled out the "F process," having coordinating authority over foreign assistance accounts outside the State Department and USAID is not the same as having statutory authority; dual-hatting the Director of Foreign Assistance and the USAID Administrator does not go far enough in bringing all U.S. Government foreign assistance under a single unified framework. For that, we need a new

[5] "Proposed Major Components and Organization of a Cabinet-level Department for Global and Human Development" (http://interaction.org/files.cgi/6306_Cabinet-level_org_paper.pdf)

Cabinet-level Department of Global and Human Development operating under a National Development Strategy.

Q8: What are your top three recommendations for improving the foreign assistance bureaucracy?

My top three priorities for improving the foreign assistance bureaucracy are:

1) Create a new National Development Strategy that articulates the U.S. Government's theory of development, outlines the division of labor among the 26 departments and agencies that deliver foreign assistance, describes how the United States will partner with beneficiaries and other donors, and prioritizes poverty reduction as a key goal.
2) Elevate development to its rightful place alongside defense and diplomacy – as articulated in the 2002 and 2006 National Security Strategies – by creating a new Cabinet-level Department for Global and Human Development.
3) Rewrite and reauthorize the Foreign Assistance Act (FAA) to eliminate the legislative and bureaucratic barriers to effective development. Take the opportunity presented by the reauthorization to reprioritize monitoring and evaluation, local consultation, and flexibility in programming. Taking these steps will help us create aid programs that are attuned to the needs of beneficiaries and dynamic enough to respond to them. This can be achieved by crafting a "grand bargain" between Congress and the administration that reflects a shared vision of the role and management of U.S. foreign assistance, provides the Executive branch with the authorities it needs to respond to a rapidly changing world, and ensures rightful and comprehensive legislative oversight.

All of these steps should take place in consultation with civil society, beneficiaries, and other stakeholders for the reasons cited in my previous answers above.

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Kathy Spahn, *Helen Keller International*
Richard Stearns, *World Vision*
Tsehaye Teferra,
Ethiopian Community Development Council
Sam Worthington (Ex-Officio)

1400 16th St., NW
Suite 210
Washington, DC 20036
PHONE: (202) 667-8227
FAX: (202) 667-8236
E-MAIL: ia@interaction.org
http://www.interaction.org

September 26, 2008

Senator Tom Coburn, M.D.
172 Russell Senate Office Bldg.
Washington, DC 20510

Dear Senator Coburn,

I have attached my answers to your two questions for the record following the July 31, 2008 Senate HSGAC subcommittee hearing on, "A Reliance on Smart Power - Reforming the Foreign Assistance Bureaucracy."

I thank you for the opportunity to answer your questions, and I appreciate your interest in this subject matter. InterAction has a very active working group focused on improving performance evaluation and program effectiveness, which seemed like something you were quite interested in at the hearing. If you would like more information about the working group, or about the important international relief and development work that InterAction members do around the world, please let me know.

Best,

Sam Worthington
President & CEO
InterAction

Q1: During the question and answer time with the second panel, the witnesses seemed to agree that relatively new foreign assistance initiatives like the President's Emergency Plan for AIDS Relief (PEPFAR) and the Millennium Challenge Corporation (MCC) are to blame for "weakening the core of U.S. foreign assistance." The solution that was presented was to consolidate all foreign assistance programs, such as PEPFAR and MCC, under the management of U.S. Agency for International Development (USAID). Both PEPFAR and MCC require standardized outcome measures and country-wide targets while most USAID programs do not have either one. MCC even conditions funding on outcomes. Why should we consolidate two initiatives that are working and produce measurable results into an agency that largely fails to produce measurable results?

We should not consolidate MCC and PEPFAR into USAID as the agency exists today. USAID has weathered decades of neglect by Congress and several administrations, and it would not have the capacity to absorb two programs of the magnitude of MCC and PEPFAR. Rather, I propose that we create a new Department for Global and Human Development that has the bureaucratic clout and the Cabinet-level status necessary to coherently manage all U.S. humanitarian and development programs. Such a department would capture the best practices and interventions in use at MCC, PEPFAR, and USAID, and would raise the bar for American development programs on the whole.

To address the first part of your question, I believe that the U.S. Government, led by a new Cabinet-level department focused on these issues, must reprioritize the monitoring and evaluation of its development programs so that we can truly learn what works and what does not. As the Center for Global Development has pointed out, there is a systematic bias against doing good evaluation work.[1] For a number of reasons, including the perceived high cost of evaluation, the risk of demonstrating the failure of a project, and the temptation to use funding for program activities rather than on "research," good evaluation work is not always prioritized. That said, I would like to point out that USAID has not always struggled with monitoring and evaluation in the way it does currently. For one thing, the initial implementation of the "F process" had a very negative affect on USAID's evaluation capacity, and the current leadership in the Office of the Director of Foreign Assistance is admirably working to reverse some of those effects. Furthermore, USAID's Food for Peace and Global Health offices, in particular, have long been known for emphasizing evaluation and the measurement of results for their programs.

A new Secretary for Global and Human Development would need to provide adequate resources, staffing, and leadership to ensure that his or her Department was evaluating both its operations and its programs for effectiveness. Some possible courses of action include: creating and adequately staffing and funding an independent office for evaluating foreign aid programs across all the agencies and offices of the new department; building staff capacity in monitoring and evaluation through training programs for program staff; making mid-term and final evaluations mandatory; ensuring that grants and contracts provide adequate staffing and funding for performance monitoring, midterm and final evaluations; rewarding learning rather than simply punishing mistakes or unsuccessful ideas; committing to impact evaluations for new or untested interventions that donors or governments would like to take to scale and/or replicate; requiring that all impact evaluations undergo external peer review; and joining the recently formed

[1] "When Will We Ever Learn" (http://www.cgdev.org/content/publications/detail/7973)

International Initiative for Impact Evaluation (3ie), contributing substantial funds, and encouraging other countries to join it as well.

You rightly praise MCC and PEPFAR for measuring performance and demonstrating results, but I believe it is our responsibility to ensure that all U.S. development programs are effective. Given that there are currently twenty-six departments and agencies engaged in delivering official U.S. development assistance, I believe that a new Cabinet-level Secretary for Global and Human Development –implementing a National Development Strategy – would ensure that our entire foreign assistance portfolio is being evaluated uniformly and effectively.

Q2: After years of failure by USAID to have effective malaria programs, the President's Malaria Initiative (PMI) was established much like PEPFAR even though PMI is still part of USAID. In order for PMI to be created, malaria funding had to be removed from regional bureaus that failed to demonstrate results and reassigned back out through a centrally controlled program that enforced results, effective strategies, and good management and oversight. Do you agree that the reforms and changes in U.S. malaria policies through PMI saved the U.S. malaria program after years of failure under USAID's status quo? Why shouldn't the rest of USAID undergo similar reforms?

The President's Malaria Initiative has certainly been a great success, but I do not believe it is accurate to say that USAID's previous efforts to fight malaria were failures. It is true that they were not as successful as PMI is today, but that can be attributed to several factors: the use of insecticides, which is currently being employed as an effective preventive measure, was out of fashion; bed nets and artemesin therapy were available, but not widely and not in a way that was affordable to the poor; even when they were available, recipient governments did not always have the systems in place to distribute nets and medicines. The success of PMI is less a result of malaria programs being removed from USAID's regional bureaus and more a product of the combination of presidential leadership, ambition, planning, an influx of new resources, and the willingness to try new interventions (PMI benefits from at least three times the number of malaria interventions as other USAID projects).

You're right that USAID would benefit from similar treatment. U.S. foreign assistance programs, especially assistance programs in Africa, have been served well by resources and attention that the Bush administration has given them over the last seven years. That said, if we are going to improve effectiveness, efficiency, and the ability to demonstrate measurable results, our next president must give modernizing the U.S. foreign assistance architecture the same level of prioritization that President Bush gave to HIV/AIDS, malaria, and TB. Two specific actions I would recommend, in addition to significantly increasing resources for development, are to create a National Development Strategy and to elevate development to the Cabinet-level by creating a new Department for Global and Human Development.

Post-Hearing Questions for the Record
Submitted to Dr. Gerald Hyman
From Senator Daniel K. Akaka

"A Reliance on Smart Power – Reforming the Foreign Assistance Bureaucracy"
July 31, 2008

1. Mr. Worthington states that the common set of goals and objectives established by State and USAID fail to truly prioritize poverty reduction, and thus were the wrong goals and objectives.

   What is your response to this statement and do you agree with him that the same is true of the performance indicators, which measure a long list of outputs rather than impact or outcomes?

Answer:
I do not agree with Mr. Worthington that State and USAID have not sufficiently prioritized poverty reduction. Put differently, the "F Process" goals and objectives include poverty reduction but include other goals as well, which is appropriate in my view. First, economic growth, which is the catch-all category that includes poverty reduction, is one of the 5 overall F Process objectives. Poverty reduction is important, as the F Process recognizes, but foreign assistance has other purposes as well, and properly so. For example, development is one of three elements of the National Security Strategy, so it has national security dimensions. In addition substantial foreign assistance funds are used as part of our general foreign policy in places like Egypt and Pakistan where the foreign assistance programs address poverty reduction within a larger basket of goals. In short, foreign assistance plays a variety of roles and the prioritization of poverty reduction depends, appropriately in my view, on the country context and on the mix of reasons for U.S. assistance in the country, not as a matter of global principle.

Moreover, poverty reduction is itself a multifaceted endeavor requiring a mix of the other 5 objectives as well. To achieve *sustainable* poverty reduction, the political and economic policies and systems of poor countries will need to change. They are major impediments to increasing and equitably distributing wealth, as the recent decades of experience in China have dramatically and indisputably demonstrated. In effect, the reduction of poverty requires more than just new seeds, better irrigation, P.L. 480 food, and infusions of funds. Sustainable poverty reduction or, more positively, economic growth and its reasonably equitable distribution requires, for example, free markets, greater political freedom, rule of law,

access to information and opinion, transparent and accountable governance, appropriate macro- and microeconomic and trade institutions and policy, and ultimately education. All of these are included in the basic "F Process" framework.

As to performance indicators, I believe that Congress was right through the Government Performance and Results Act of 1993 (GPRA) to require impact measures whenever possible. I agree that too many of the current indicators accompanying the "F Process" program matrix are output rather than impact measures. However, the intent is to create more impact measures and the Administration, including the Department of State, USAID and other U.S. Government agencies responsible for foreign assistance programs, should be encouraged to do so. Moreover, at least for USAID programs, USAID missions are still required to construct Program Management Plans, including impact indicators so, even if the F Process indicators do not sufficiently address impact, the PMP indicators do a better, though still far from perfect, job at measuring impact. The PMP indicators are additional to, and more specific than, the global indicators of the F Process. Finally, impact has been easier to measure for some foreign assistance programs, like health, than for others, like education or democracy or even economic growth.

2. General Pete Chiarelli, a former U.S. commander in Iraq, has said USAID has become little more than a contracting agency. In another part of U.S. Central Command's area of responsibility, more than 50 percent of USAID funding in Afghanistan goes to five for-profit companies who do contracting. What are the implications of having so much of our development work contracted out?

Answer:
There are both advantages and disadvantages to contracting-out. Getting the optimal balance is the hard part. First, USAID is not the only agency to have moved more work to the private sector through grants and contracts. The military long ago contracted out for many of the goods and services it needs, such tasks as meal preparation, housing construction, base and even weapons maintenance. The clear advantage of contracting out is flexibility. A tenured civil servant or foreign service officer serving in a technical capacity represents a long-term commitment by the U.S. Government to that person and specialty. Contracting shifts the risk of change from the U.S. Government to the private sector. If a particular need no longer exists or is no longer a high priority, the product or service can be terminated by the Government at the end of the contract or even before. A common recommendation for all U.S. Government agencies, certainly including USAID, is to increase their flexibility to account for changing needs and contexts. To the extent that flexibility is important, the U.S. Government must be able to change the mix of goods and services it needs. Full, tenured employees make that more difficult.

However, "inherent government functions" (including the procurement and supervision of contractors) must of course be done by U.S. Government employees. The USG cannot be left without internal skills. It cannot rely entirely on staff working for a private company and maximizing its profits. Especially overseas and when dealing with other governments, the essential face of the American people should not be the logo of a private company.

So the real question is what constitutes "inherent" government functions, what the optimum balance is between flexibility and stability and therefore between full-time, permanent U.S. Government staff and staff hired by private companies or NGOs. There is no obvious answer to that balance. It depends on context. Moreover, the balance will be different as between, for example, the Central Intelligence Agency and USAID and the Park Service. No matter the right balance, however, there can be no doubt, in my opinion, that USAID needs a substantial effort (and reform) in recruitment, training and deployment, if only to replace the workforce that has been retiring at a greater rate than recruitment. Sheer attrition is dramatically reducing the core staff of USAID civil and foreign service officers.

Finally, General Chiarelli's two examples of Iraq and Afghanistan are unusual programs for USAID. They required the immediate, but (hopefully) not long-term deployment of a large number of staff---more than USAID had available on its permanent rolls---willing to deploy to a war zone and with skills somewhat different from the normal development mix. If the U.S. Government is likely to engage in such environments, USAID should create a permanent workforce properly recruited, trained and sized for that mission. In that event, Congress will also need to provide appropriate resources for that purpose.

3. Dr. Hyman, you heard Mr. Greene describe the new Country Assistance Strategy that the Department of State is developing.

   What do you know about this pilot process and could you comment on it?

Answer:
From what I know, this new pilot effort is a commendable, if very limited, modification to the top-down, hyper-centralized initial "F Process" inaugurated by Secretary of State Rice in 2006. The Country Assistance Strategy process retains the basic F Process Washington-based interagency Assistance Working Groups (AWGs), which, still for most countries, decide on the specific array of program elements and their budgets from a pre-existing global list of almost 100 program elements. However, on a pilot basis and for the 10 Country Assistance Strategy countries (2

countries in each of the 5 geographic regions), the Washington-based AWGs work in concert with the respective embassy-based country teams (the "Posts") to develop a country-specific assistance strategy (although still within the nearly 100 pre-set program elements): identifying the top 3-4 foreign assistance goals, prioritizing them, and giving some indication of the resources needed to effect the strategy.

For each such country, the Assistance Working Groups meet in Washington to discuss prioritization of key issues and resource trends, then consult with the respective Post which in turn consults with local stakeholders and organizes a strategy session. Then Post, not the AWG, drafts the Country Assistance Strategy document sharing drafts with the Assistance Working Groups to which they are submitted for formal approval. In the event of differences of opinion, a Policy Coordination Committee of higher-level officials meets to adjudicate the differences.

My understanding is that, for each such country, the CAS document of about 20 pages will include, in brief: (1) an introduction (host country context, host country government priorities, and commitment to reform); (2) a proposed overall strategic approach and priority goals; (3) a more detailed discussion of each priority goal with, for each, a problem statement, critical assumptions, assistance approaches, USG entities providing assistance, a coordination plan, the assumed role of the host country and other donors, and projected results; (4) resource assumptions (with a general allocation of resources, proposed shifts in resource allocations from the current program to reflect changes in the country, the assumed contribution of other donors, and two or more alternate funding scenarios with additions or reductions in budget allocations from the proposed assumptions); and (5) any appendices with additional material that might inform decisions. Whether all of this can reasonably be done in 20 pages and how the CAS process actually works remains to be seen.

In addition to the internal consultations within the U.S. Government, the CAS process is intended to improve coordination between those actors and other donors, increase consultations with the recipient country governments, and ensure that U.S. Government programs are "responsive to host-country priorities." The last is a double-edged sword. If "host-country priorities" means, as it almost always does, the priorities of the host country *government,* there are many such priorities to which the U.S. assistance programs should <u>not</u> be responsive, notwithstanding the many calls for exactly such responsiveness by much of the development literature, many in the development commentariat, and host of development-oriented NGOs and think tanks. For example, there are many corrupt, authoritarian governments whose reflection of the priorities, let alone the needs, of their citizens is doubtful at best. In my view, the U.S. Government should of course consult with the host-country

government and understand its priorities, but, in the end, the USG should make its own judgment about their value of those priorities, what and whom they are designed to serve, the extent to which they would contribute to real development, and the use to which U.S. taxpayer funds should be put. I do not agree that host country governments should, in effect, have a call on U.S. assistance funds for their own uses, priority or not.

In my opinion, the best part of the CAS pilot is the discussion between Washington and the Post that will inform the final product. Although nowhere near as rich as the discussions USAID used to require for all of its strategies and which (I believe) should be reinstated, the Country Assistance Strategy pilot process at least begins to reinstate the discussion, rather than relying solely on the Washington-based AWGs and the internal State decisions premised upon them. However, of the 130 or so countries which receive U.S. foreign assistance, only 10 will be in this pilot so it is limited both in the scope of the field-Washington discussion and in the number of countries to which it applies: hence "a commendable, if limited, modification to the top-down, hyper-centralized F Process."

4. Mr. Worthington calls for a National Development Strategy. The Administration might argue that it has one already as contained in the 2002 and 2006 National Security Strategy.

   a. What is your reaction to this?

   b. If you support the creation of a national strategy for foreign assistance, how would you develop it and what issues must be addressed?\

   Answer:
   In his testimonial call for a National Development Strategy, Mr. Worthington provides details primarily through a quote from a paper by Steve Radalet of the Center for Global Development. Mr. Radalet calls for a development strategy that would "lay out broad guidelines for assistance programs in different kinds of recipient countries; failed, failing and fragile states; and in middle-income countries with much less need for development assistance. It should describe how foreign assistance programs will be coordinated and integrated with other policy tools....and should summarize the budgetary requirements to achieve those goals." If this could be done globally and with specificity, it would be a good idea, although I believe that middle-income countries should not be so easily marginalized. There have been attempts to construct such a specific strategy, but they have not been so successful.

I believe that the 2002 and 2006 National Security Strategy serves some of the same functions (at least at a very generalized level) and describes, as well, the relation between development on the one hand and diplomacy and defense on the other. I agree with these documents that development should be seen in its own terms but also as part of U.S. foreign policy and perhaps even national security policy. I agree as well that foreign assistance serves, and ought to serve, those broader purposes and vice versa: our foreign policy and national security would both be enhanced in a world composed of healthy, educated, prosperous populations living in free market democracies, which is the objective of Secretary of State Rice's "transformational diplomacy." So, I believe that the 2002 and 2006 National Security Strategy and Secretary of State Rice's concept of "transformational diplomacy" are a good conceptual basis by which to approach development. I do have serious reservations about the so-called "F Process," but my concerns are related more to implementation than to conception.

All of that said, I believe the word "strategy" is often misused, especially by the civilian agencies. Rather than a plan by which resources are arrayed to achieve specific objectives, strategies are too often strings of desired outcomes or lists of programs. That characterizes the National Security Strategy as well. To be useful guides to action, I believe these strategies need to be much more specific and instructive, especially as to context and concrete objectives. The issues to be addressed could be much clearer in such a context-specific plan and much less hortatory and rhetorical.

5. Sections 1206 and 1207 of the fiscal year 2006 National Defense Authorization Act allowed for a greater role of the U.S. military in foreign assistance, whether it was through training and equipping other nation's forces or providing funding to the State Department's post-conflict restoration efforts.

   a. Do you believe that these programs, funded outside of the State Department, generally help or hinder U.S. foreign assistance efforts?

   b. To what extent should the military participate in foreign assistance?

   Answer:
   I am not as familiar with Section 1206 as with Section 1207 (now Section 1210). In general, I believe that, as a sheer matter of good governance and accountability, funds should be appropriated directly to the agency actually responsible for a program rather than indirectly to some other agency which then transfers the funds. For those stabilization and reconstruction missions to be undertaken by civilians reporting to the Department of State, the funds would, just as a matter of good governance,

be better appropriated through the Department of State rather than indirectly through the Department of Defense (DOD).

Apart from that general principle, however, I do not believe that Section 1207 transfers have hindered U.S. foreign assistance. Leaving aside their size, costs and performance, I believe that, in principle, foreign assistance has an important and appropriate role to play in a stabilization and reconstruction effort. To date, Section 1207 funds have been used for half a dozen or so countries and to fund the Civilian Stabilization Initiative (CSI). The CSI is designed to establish a civilian Active Response Corps and Standby Response Corps. These corps would provide a civilian force to deploy abroad for stabilization and reconstruction missions. To the extent that the U.S. engages in counterterrorism, reconstruction or stabilization programs, there are only two alternatives: either the military will do them all or civilians will engage in those they are best equipped to perform. I believe, along with the military, that the latter is the preferable option *so long as* there are sufficient civilians trained, they are available in sufficient numbers and with sufficient skills to be deployed where and when they are needed, and that they perform well once deployed. I believe that CSI is worth trying, but it must meet that 4-part test (trained, ready, actually deployable, and performing).

Civilians have several advantages. They are already trained in many of areas of stabilization and reconstruction skills, albeit usually in domestic, U.S. contexts. They can be further trained for the new contexts which they will encounter. Moreover, they will put a better "face" on the stabilization and reconstruction efforts than would uniformed personnel whose main function, in any case, is security primarily through the use of force. I have some doubts however that, absent additional authorities, the civilian force will *actually* deploy as needed in the way that military personnel do and that it will perform as anticipated. However, that is the 4-part test. If the civilian corps does not meet that test or if the command and control problems between military and civilian contingents do not work well, it will be necessary to revisit whether these functions should simply be part of a new military mission profile fully under DOD's control.

6. Mr. Worthington characterizes the F Process as a big step backward and a failed attempt by the State Department to exercise undue influence in the development space. He claims that the common set of goals and objectives created failed to prioritize poverty reduction.

   How much of a role should the State Department have in this development space and what should be the priority missions?

   Answer:

I believe that the F Process has, on balance, created more problems than it has solved. It hyper-centralizes in Washington hundreds of decisions better left to the context-knowledgeable, locally based foreign service officers. It invests those decisions in Assistance Working Groups, a collection of Washington-based officers who, at best, spend only a fraction of their time on the country and who, at worst, represent parochial bureaucratic interests. Moreover, it invests ultimate authority over these micro-decisions in a small staff and ultimately in the director of foreign assistance and the secretary of state.

However, for the reasons noted in the first question, I do not agree that the problem with the F Process is that it has not sufficiently prioritized poverty reduction. And for those same reasons, I believe that the State Department has an important role to play in foreign assistance, particularly in the programs provided primarily for security or political reasons, such as those funded by Economic Support Funds. Although the balance between development criteria and these other criteria (for example security or political concerns) varies, I do agree that that the F Process carries with it the danger that the balance is too heavily weighted toward non-development objectives. That concern is mitigated, however, by the current arrangement in which the USAID administrator is simultaneously the director of foreign assistance (DFA), *so long as* the USAID hat is not lost in the shuffle of priorities for the DFA.

7. The position of Director of Foreign Assistance has been held concurrently by the Administrator of USAID since its establishment in 2006.

   Can you share your thoughts on the pros and cons of having the same person perform both of these functions?

Answer

The obvious benefit of a "dual-hatted" Director of Foreign Assistance (DFA) is that the interests of development in general and of USAID in particular are represented at the very top of the Department of State, since the DFA has been given the de facto rank of deputy secretary of state, the third highest position in the Department, and with direct access to the secretary. Consequently, USAID's particular organizational issues, and not just the general issues of development, are heard at the highest level by the secretary herself.

There are two risks with the "dual-hatted" structure, however, both related to how the DFA sees herself and her role. The first risk is that she sees herself too much as the secretary's deputy and too little as the spokesman for and principal administrator of development. In effect, this is the risk of cooptation to the more diplomacy-driven part of foreign assistance, the temptation to "take State's side" in order to prove that she is really a

deputy secretary of state. The second is that the DFA does not have sufficient time for internal USAID issues. USAID is a large organization of its own. It has its own internal problems and needs full-time administration. By definition the "dual-hatted" DFA cannot be a full-time USAID administrator. So the de facto role of USAID administrator is now shared more than before between the administrator and the deputy administrator. To make the system work, the deputy administrator needs additional independent authority and responsibility, subject of course to the overall authority of the actual administrator. The position of deputy administrator is now more important than it was, as is a good working relation between the administrator and the deputy administrator. Commensurately, it means that Congress will probably need to accept that the deputy administrator may be the right spokesperson for USAID on certain issues, indeed may be more knowledgeable than the administrator, and may have made more of the decisions once made by the administrator. In effect, consultations with and even testimony by the deputy administrator will not be a sleight to Congress, but rather the appropriate division of labor. I believe that both of these risks can be managed so long as the secretary and DFA are cognizant of them and that both recognize the inherent tension in the double-hatting of the DFA and that Congress is willing to adjust appropriately as well.

8. What are your top three recommendations for improving the foreign assistance bureaucracy?

Answer:

My top three recommendations are:

a) Reverse the fracturing of assistance programs throughout the U.S. Government and build one principle foreign assistance agency, preferably USAID.

b) Keep that single foreign assistance agency closely connected to the Department of State and not housed in a new, separate cabinet-level department in order to continue the integration of foreign assistance as part of foreign policy and national security policy.

c) Revitalize USAID by concentrating on its basic deficiencies in human resources, its procurement regime, and its legal structure while resisting new programming initiatives unless clearly necessary and achievable within the resources of USAID.

Post-Hearing Questions for the Record
Submitted to Gerald Hyman
From Senator Tom Coburn, M.D.

"A Reliance on Smart Power – Reforming the Foreign Assistance Bureaucracy."
July 31, 2007

Questions for **Panel II**:

1. During the question and answer time with the second panel, the witnesses seemed to agree that relatively new foreign assistance initiatives like the President's Emergency Plan for AIDS Relief (PEPFAR) and the Millennium Challenge Corporation (MCC) are to blame for "weakening the core of U.S. foreign assistance." The solution that was presented was to consolidate all foreign assistance programs, such as PEPFAR and MCC, under the management of U.S. Agency for International Development (USAID). Both PEPFAR and MCC require standardized outcome measures and country-wide targets while most USAID programs do not have either one. MCC even conditions funding on outcomes. Why should we consolidate two initiatives that are working and produce measurable results into an agency that largely fails to produce measurable results?

   Answer:
   I believe it is too general to say that "PEPFAR and MCC have standardized outcome measures and country-wide targets while USAID programs do not have either one." I believe that PEPFAR has mostly output rather than impact measures. Indeed the new "F Process" indicators for USAID---as well as all other foreign assistance programs under the International Affairs Budget---were modeled on PEPFAR by the first Director of Foreign Assistance, who came to that position from PEPFAR where he had been U.S. Global AIDS Coordinator. Following PEPFAR, "F Process" indicators are also primarily output measures although the intent is to move to impact measures. (Of those PEPFAR and F Process indicators which are impact measures, many are "borrowed" from other organizations and are difficult to isolate and attribute to the U.S. assistance programs themselves.) As noted in the second question, the President's Malaria Initiative, which is part of USAID, has borrowed its measurements heavily from PEPFAR and are also disproportionately output indicators although, in the case of malaria and many other health programs, output and impact are not so easily distinguished. MCC's impact measures are primarily the ones that countries must meet *before* they qualify for MCC funding rather than ones that measure the MCC programs themselves.

   Nevertheless, I agree entirely that Congress was right through the Government Performance and Results Act of 1993 (GPRA) to require

impact measures whenever possible. However, impact is easier to measure quantitatively for some foreign assistance programs, like health, than in others, like education. For example, the defects in the U.S. public education system are widely recognized but measures of success, let alone how to achieve it, are widely debated. Certainly one measure would be the standardized national Scholastic Aptitude Tests, but most observers believe that relying on SAT scores alone would not provide either a sufficient measure of educational achievement or a roadmap to producing better educated students. Still, measureable impact is the right objective.

2. After years of failure by USAID to have effective malaria programs, the President's Malaria Initiative (PMI) was established much like PEPFAR even though PMI is still part of USAID. In order for PMI to be created, malaria funding had to be removed from regional bureaus that failed to demonstrate results and reassigned back out through a centrally controlled program that enforced results, effective strategies, and good management and oversight. Do you agree that the reforms and changes in U.S. malaria policies through PMI saved the U.S. malaria program after years of failure under USAID's status quo? Why shouldn't the rest of USAID undergo similar reforms?

Answer :
I do agree that the retention of the President's Malaria Initiative (PMI) within USAID rather than housing it in a new organization outside USAID, like PEPFAR or the MCC, was the right choice. I also agree that all programs should try to measure results rather than inputs and outputs. USAID is the principle U.S. Government instrument for designing and delivering foreign assistance. I believe it is in need of substantial reform, but the right path, I believe, is to pursue that reform rather than creating what Ms. Richard called organizational "workarounds." The creation of new institutions outside USAID to deliver specific programs of foreign assistance increases organizational fragmentation as well as the likelihood of policy incoherence. Such "workarounds" should be avoided except under truly extraordinary circumstances. Clearly, as PMI demonstrates, USAID can deliver foreign assistance programs as well as PEPFAR and the MCC. Indeed USAID's delivery may be better as illustrated by PMI which, located within USAID, has the benefit of USAID's in-country missions on which Admiral Ziemer, the Coordinator of PMI, has told me he relies extensively. Indeed, beyond USAID, Admiral Ziemer depends as well on the Centers for Disease Control and Prevention, but the coordination and authority rightly remain with USAID as the principle USG organ for foreign assistance. The question of whether such programs are best located within USAID's regional bureaus or its central functional bureaus (like the Bureau for Global Health where PMI is housed) depends, I believe, on the facts and circumstances of the programs and the relative strengths and weaknesses of the various bureaus and offices within USAID. I think a universal formula would be too general.

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