



CENTER FOR GLOBAL DEVELOPMENT

Presents

***The Future of Foreign Aid:
Reform to Meet Obligations at Home and Abroad***

by
Congressman Jim Kolbe (R-AZ)

Monday, June 19, 2006

4:00 p.m.

Peter G. Peterson Conference Center
Institute for International Economics
1750 Massachusetts Avenue, N.W.
Washington, D.C.

[TRANSCRIPT PREPARED FROM AUDIO RECORDING]

Lawrence MacDonald: This afternoon I am glad that those of you who have arrived now have beat the storm and I hope the rain will hold off in time for us to have a reception in this lovely garden. I am Lawrence McDonald, Director of Communication and Policy at the Center for Global Development. It is my honor and pleasure to introduce to you the Editor of *Foreign Policy*, Moisés Naím.

Moisés Naím: Thank you all for making the time in the middle of the afternoon to join us for another edition of the Commitment to Development Award sponsored by the Center for Global Development and *Foreign Policy Magazine*. This award was borne out of an anxiety that Nancy and I, Nancy Birdsall, the President of the Center for Global Development, and needs no introduction. We had an anxiety about generating information that changed the world. And we were thinking, what would be different ways of presenting data that would mobilize governments, energize civil society, create research agendas. And we were having lunch and then we decided that the ranking of countries would be a good idea, and Nancy said, "I have it. What we should do is a ranking of countries in terms of how good global citizens they are. And we should measure their contribution to development, not in terms of the traditional ways of thinking about this, which is measuring their financial contribution to their foreign aid budgets, but we should look at their overall contribution and how good they are in terms of trade, and what do they do with arms sales, and how good they are in terms of migration, and how we can understand and have a larger perspective on how good they are in terms of contributing to global development and to poor countries." And that created the index that we published jointly, the Center for Global Development does the research and carries the intellectual heavy duty part of the enterprise, and *Foreign Policy* that publishes and disseminates it around the world.

And then we said it would be very good if just we could add to the index, not just information that changes the world, but people that change the world, along the same spirit of the index. And so we decided that every year, we would issue the index that tracks how countries, how wealthy countries are behaving, but that we would also take an opportunity to recognize a specific individual that is changing the world, for the better. It has to be an individual from the wealthy countries that influences policies in ways that are instrumental. The first award in 2003, we gave it, not to one individual, but to a group of individuals, is the Utstein Group. This is a group that brings together, it's an informal group that brings together the ministers of Development Corporation of Norway, the Netherlands, the U.K. and Germany. The next year, we gave it to Oxfam, especially their trade fair campaign, make trade fair campaign. Last year, to Gordon Brown, the Chancellor of the Exchequer of the United Kingdom. And this year, to Congressman Kolbe. And I have no words to stress how pleased and honored we are to give it to Congressman Kolbe. And Nancy will explain why. Thank you.

Nancy Birdsall: Thank you very much Moisés. It has really been a great partnership between *Foreign Policy* and the Center for Global Development. We've had ups and downs, but I'd say a lot more up than down, and that's in part thanks to the creativity and ideas generation that Moisés brings to his work at *Foreign Policy*. You know, Moisés moderated a discussion in Davos in January. It was about aid and democracy. And I was fortunate enough to be at the table that was hosted by Congressman Kolbe and to segue from Moisés to Congressman Kolbe, let me say that [Congressman Kolbe] was a fantastic proponent at this table on that

particular day of the launching of the Millennium Challenge account and of the point that aid is likely to work better in countries that are well governed.

And it reminded me, thinking of that, what a wonderful job he did that day with an international group of people from many walks of life. Reminded me earlier, in the fall I think, I was at a dinner sponsored by *Atlantic Monthly* on development and globalization, and a lot of think tank people were there and political commentators and some politicians, local or Capitol Hill – the best from Capitol Hill on development issues. And again, after hearing from the various parties, it came around to Congressman Kolbe and he was so thoughtful and so eloquent, while being fundamentally so sensible, about a wide range of development issues. And in particular, on foreign aid, which had come up, because Andrew Natsios was there, he made the point so well that we do need in the U.S. to do more in terms of foreign aid but, at the same time, we need to address the problem of the U.S. doing better aid, that the U.S. has such a fragmented and at many times, poorly administered and poorly coordinated approach to foreign aid.

And let me mention one other time when I had the luck to hear Congressman Kolbe, and that is when we launched, in October 2003, at the Center, our Commission on Weak States, and we were very lucky to have Congressman Kolbe come and do the, not the launch of the book, the report itself – he came to the first meeting of a very distinguished group of people that we'd put together for this commission, 15 or 20 people. He took the time to do that and there's no question in my mind that his willingness to come and make the point that this was an issue that he and his fellow congressmen and colleagues on the Hill cared about, that gave a tremendous boost to the work of this commission.

Now let me say that we're all terribly, we're feeling at a loss, a big loss in Washington, because Congressman Kolbe will be retiring. I think it's a huge loss for those of us, many people in this room, who work on issues that matter for U.S. policy, in particular, toward developing countries. I like to think of the Congressman as representing the radical middle. Radical because he's willing to push for change when that makes sense. And the middle because he is thoughtful and sensible and he isn't pushed back and forth and swayed by the politics of the day. Now it's important for me to mention that the Congressman's personal qualities are not confined to work on development. He's been very effective on a wide range of issues, international and domestic, including of course, immigration and veterans' affairs, and it is for this reason, he has been described by many, not just in the simple words "radical middle", but as "a rare and effective voice of reason on foreign aid," but also "a soft-spoken congressman who brought thoughtfulness and intelligence to his job".

I think it is a sign of the esteem with which you are held in the community, Congressman Kolbe, that we have here people from many embassies, many academic centers, universities, many agencies of the U.S. Government, other bilateral and multilateral agencies have people here, many think tanks and at least 35 different non-governmental organizations, representative of civil society. Thank you very much for joining us. Moisés and I now will actually give you this award, which is – how do we do this? The Congressman will now make some remarks and, following that, we will have a quick discussion period in which I hope you can participate, but I wanted to emphasize now that we have promised that we would get him out by 5 of 5, so that he can be back on the Hill for some votes. So when we get to question and answers, if I forget,

please keep that in mind. We'll have to forgive him if he jumps up and leaves all of a sudden. Congressman Kolbe.

Congressman Jim Kolbe: Well Nancy, thank you, both you and Moisés, very much for the award, from you personally and from your organizations, and thank you Nancy for the wonderful words, the very fulsome words, I should add, of making this award to me today. I've told – some of you have heard this because you've been at other events – but I've been telling my colleagues that they really out to try this retirement thing more often. It's like going to your own funeral for a year without having to die. You get to hear all these wonderful eulogies. The only thing I keep asking is, where were all these things when I was running for re-election each of the last 11 times here? But it is very nice to have all these nice words said, and I'm certainly very honored to receive this award, particularly from these two organizations because of where it comes from.

I can think of no magazine that's more prestigious, no magazine that's more relied on, than *Foreign Policy*, for shaping foreign policy here in Washington. And I can certainly think of no organization that is more well thought of than the Center for Global Development. It may be one of the newer, but it's also one of the more innovative think tanks. It's become an important voice, it's become such an important voice, it's easy to forget actually how relatively new it is. But in fact, the Center was founded around the time I took charge of foreign assistance in the House of Representatives, and that was the fateful year of 2001. And ever since, the Center has been an important partner, a challenging partner, has worked with us to make foreign aid more effective, more generous and more central to the public debate in our nation. And it has challenged the conventional wisdom of Congress at every turn.

There's another parallel between the Center and my own career that I ought to mention. I think we share the same priorities. I've said elsewhere that health, trade and governance are at the heart of global development. And when I look back on the work that I have done in the area of foreign assistance, I am proudest of the strides that we have made in these areas, from PEPFAR and the historic increases we've made to the global fund, to the new trade capacity enhance fund we're launching this year, to the creation of the Millennium Challenge Corporation, an institution rapidly developing a reputation for demanding accountability and results. Health, trade, governance – these have been our priorities and they're priorities that are very clearly reflected in the research that the Center does. I don't think that's a coincidence.

We've drawn on the Center's expertise to make policy and the Center has closely scrutinized and evaluated what Congress has enacted over the years, and that's the way it should be. One of the greatest challenges in development policy, a change that I hope – one of the greatest changes in development policy, a change that I hope endures, is this greater give and take between the academic think tank world and government. It's a give and take, a rigorous, no-blinders examination, that has been too long confined to domestic policy. It's good that we've extended it to the realm of foreign assistance and the Center has played an important role in making that happen.

Many of you here this afternoon have been allies, and there's a temptation to tell you what you already know or perhaps what you'd like to hear. But I don't want to do that. I prefer to offer

some thoughts, some thoughts on the future, on reform. Genuine reform is never easy to do. Reform means acknowledging our shortcomings. It means facing up to challenges. It means making changes. And change is never easy. Some may wonder if reform is necessary as a part of our development agenda. After all, foreign assistance enjoys more popularity, more understanding in the country and in the world today than ever before. Last year, our foreign aid bill, foreign operations bill that I've brought to the floor each year as Chairman of the Foreign Operations Subcommittee – that bill passed the house with 393 votes, the highest support the bill has received since I entered Congress 21 years ago. This year, the number was a bit smaller, but that's because the vote took place on a Friday when members were hurrying to get home. Some of them didn't stay for the vote.

The good news doesn't stop there. In the bill we just passed, we provided \$3.4 billion for HIV, AIDS and tuberculosis programs, over six times more – six times greater – than all international HIV, AIDS and TB programs received just six years ago when I became chairman of the subcommittee. Our contribution to the Global Fund has more than quadrupled during the same period. I can think of no other major government programs that have enjoyed such growth, not NIH, not the Defense Department, not even Homeland Security. This is a transformation we can all be very proud of. So I ask the question again – why do we need to bother with reform, especially since it's likely to alienate some constituencies that strongly support us in our foreign assistance programs. Well, I say to you we need reform. We need reform because, without it, we are likely to find that the growth of foreign assistance these past six years, will represent a crest in our foreign assistance, and that would be unfortunate, perhaps even unacceptable.

We have good reason to be proud of our nation's achievements in the developing world. They are moral achievements. But surely, none of us here today think that the work of development is even close to being completed. Three billion people still live on this globe on less than \$2.00 a day. Malaria still kills over a million people each year. 98 percent of Africans infected with HIV/AIDS are still not reached by the drug programs provided by PEPFAR. Those are the brutal facts. If we're to continue the progress that we've made, we'll have to increase the money we spend on effective programs, programs that bring results, programs that build support at home for foreign assistance. To accomplish that, we need comprehensive fiscal and programmatic reform or the growth of foreign assistance will not continue. It will plateau. It may even decline. We're already beginning to see this, though for other reasons, and I want to take a moment to touch on that.

This year, the House had to shave \$2.4 billion from the President's request and the allocation that was given to us to work with. We did that in order to free up some spending for other domestic priorities. Our bill still increased spending by 3 percent, but I know that's of little comfort to many of the people that are here today. Yet this is the really sobering news. There will come a time when a 3 percent increase may seem like a golden age if we're not careful. In the appropriations bills passed this year, the House had to make reductions in such things as the Environmental Protection Agency, the Forest Service, Parks, Department of Interior. There's a reduction to the subcommittee in charge of the Department of Energy. There will not be an increase to speak of in the Departments of Labor, Health and Human Services and Education - usually, usually very popular wells that members go to for domestic spending.

We must ask ourselves honestly, will foreign assistance remain immune from such treatment? Will future Congresses continue to fund, to level fund, or even reduce cancer research while supporting millions for family planning abroad? Will they slow the growth of veterans' healthcare while increasing spending for the Millennium Challenge Corporation? Not likely. We do ourselves a disservice by thinking of foreign aid as if we were on some remote or separate planet in the solar system. In fact, it is very much in our spending orbit. It competes against hundreds of popular programs, year after year, and the pressure from those programs is only likely to intensify. All bets are off when baby boomers start to retire two years from now. So whatever you think of different entitlement programs, and most of us like them, most of us as policy makers think they do us great good at home with our voters – it's undeniable that these programs – Medicare, Medicaid and Social Security, the main three big ones – will slowly squeeze the life out of discretionary spending, like foreign assistance. They will threaten its very existence.

When I graduated from college, discretionary spending, the kind we actually control each year, made up 2/3 of the federal budget. By the time I entered Congress, less than half of it was discretionary. It has now shrunk to less than 40 percent, and will make up less than a third of the budget in only ten years. Some more historical perspective. When I started out in Congress, the foreign assistance budget totaled more than 3/10 of a percent of America's GDP. Today that share has been cut in half, despite an increased awareness of global poverty and the linkage with national security. Unless you think that money has gone to defense, our military's share of spending has declined around 40 percent over the same period, even when you factor in the war on terror. So it's wrong to think that foreign assistance is only a question of political will. It's wrong to think it's just a question of having the right intentions. There's probably more support in Congress for foreign assistance than ever, but that will mean precious little to us if we can't curb the growth of entitlement spending.

Let me be blunt. If you believe that America has an obligation to support global development, an obligation based on compassion, an obligation based on our nation's self interest. If you believe that obligation does exist, then you're obligated to enter the development debate as well, the entitlement debate as well. Too many supporters of global development think that such issues are peripheral to their work. In truth, they're very much central to it. Development is a moral obligation and I think most of us here believe that it is. Then it is irresponsible, irresponsible not to have a point of view on such things as entitlement reform. There's no way around it. If development advocates don't become involved, we will risk irrelevance. We will be shunted to the side of what will be a much greater debate. We have to draw a line between priorities and obligations. We have to rank what we wish for or we'll never know what we can live without.

How does long term care in America compare to treatment for measles and tetanus abroad – killers of over \$1 million people around the world each year? Do we continue to index retirement checks to wage growth, the crux of the Social Security problem? Or do we cut back on basic education in India and Latin America? These choices may strike you as odd, strange, some may even say grotesque, but I can assure you Congress is forced to make them every year, year after year, or not make them and have them made by default. Then the choices are made for us. To govern may be to choose. We do not choose with entitlement growth. It chooses for us,

and that is precisely the problem. Now insisting on entitlement reform does not relieve us from an examination of our smaller universe – that of development assistance and how it can be reformed or made more effective.

On this front, at least, I think we're making some real progress. With USAID now reporting to the Secretary of State through a Director of Foreign Assistance, development can become what we've always intended it to be – an arm of our broader foreign policy. Some will argue this will politicize development, but if politicization means making foreign assistance more coherent, aligning it more with diplomacy abroad, avoiding duplication among agencies and programs, that's a good thing. Remember, when policy becomes a political priority, regardless of whose priorities those are, there is instantly more accountability. There are more champions as well as more critics. There are more standards. There are more expectations. Our foreign assistance needs more of this, not less.

I believe that our new trade capacity enhancement fund at USAID is an example of the kind of reforms that I'm pleased to see happen. The fund will finally bring us, bring together our existing trade capacity programs under a single umbrella. It will help the developing countries prepare to participate in free trade agreements, work with others to qualify for agreements in the future. It will help our USAID mission directors abroad to have a coherent and strategic plan each year. I think the fund marks the most significant change in foreign assistance accounts in a decade, with a \$522 million budget, four times larger I might add than that of the World Trade Organization. It marks the acceptance of trade as an indispensable tool for development. It focuses our efforts on results and implementation as I think we have never done before.

The Global Fund is another example of an international agency that has had to undergo change and reform to sustain its support. Criticisms were made of the local agencies that monitor the programs as being too cozy with the organizations they were auditing. Now their independence is strengthened the board has moved swiftly to replace ineffective monitoring agencies. To the Global Fund's credit, they suspended their own program in Uganda when charges of corruption surfaced. They were proven right. Just this week, a tribunal appointed by President Museveni and headed by the Chief Justice of the Supreme Court, details fraud and mismanagement of the funds on a massive scale.

There is more encouraging news. The Millennium Challenge Corporation, just last week, suspended its discussions with The Gambia for a compact because of that government's backsliding on political reforms. That is as it should be. It proves that the MCC is working, that a country's eligibility will be judged not on their importance, but how they are governed. USAID has made operational its procurement and contracting system called Phoenix, not without, I might add, some significant prodding by our subcommittee, but now managers, USAID managers in Washington and in Congress itself, can make intelligent comparisons between similar programs in Bangladesh and in Honduras. But more needs to be done at USAID. More Washington staff needs to be put into the field. More of the operating programs. More of the operating expenses need to be assigned to programs in the field so we can know how efficiently they operate.

So if there's a theme to the remarks that I've made to you today, it's this – the future of foreign assistance doesn't hinge on good intentions, nor does it hinge on simply increasing money wherever we happen to be already spending it. We have to be ruthlessly honest in assessing what works. Programmatically, organizationally – that way, those resources can actually get results. These are serious challenges for all of us, for all of us who care about global development, and I know all of you in this room do, and so I look forward to meeting with you. Once again, I thank *Foreign Policy* and the Center for Global Development for this wonderful honor that you bestow upon me here today, and I look forward to continuing to work with you on these issues in the future. Thank you very much.

Nancy Birdsall: Well thank you very much, Congressman Kolbe. It's rare for a politician –not rare for a good politician – but it's rare for a politician of such a high ratio of ideas to worth as you accomplished in the last 15 minutes or so. Let me start the discussion with a kind of comment on what you said, and ask you to respond to it. And then Moisés, I'm sure, has a good question, then we'll turn to the audience. In talking about – I'm going to skip over entitlement but I hope we'll come back to it – I think that was an absolutely critical point and something for us to think about at the Center, but I did want to ask you about a word you didn't use in discussing foreign assistance programs of the US, and that is multilateralism. I wonder if you could say something about how you see, from the position you've been in, over the next say three to five years, how and whether the US could move toward working more closely with other donors in foreign assistance with other non-bilateral donors with the multilateral organizations with the United Nations and so on?

Jim Kolbe: Nancy, your question is really a very good one as I think it cuts, it gets very much to the heart of the direction we need to be thinking about, not just in foreign assistance, but on all of our foreign policy, and that is the role of multilateralism versus the role of our bilateral or unilateral sometimes approach to some of these issues. I think it's safe to say that this administration has gone through an evolution and I think in this term of office, in the last year or two, there's been a much greater emphasis on the multilateral approach and I think you've seen that very clearly in the development of a NATO force in Afghanistan. You've seen it very clearly in a number of other areas – well Iran policy is a very good example, following a very strong multilateral approach. And just today, even with the threat of the launching of a long-range missile by North Korea, the United States has said, "This isn't a declaration of war. We're going to continue to work with our partners on this to try and prevent this from happening or prevent this missile development from taking place."

So I think there has been an evolution that's changed and I think that the unilateral/bilateral approach was kind of a natural reaction to what happened to us unilaterally on 9/11, and we reacted in a way and say, "We can't wait for others. We really must react on our own to this," and I think the American people expected that. But I don't say that by way of defense of the administration. I certainly still have a lot of disagreements with the administration on a lot of these kinds of issues. But I think they're certainly – I think they have to – you have to have all of it. I don't think you can say universally that everything has to be a multilateral approach. For example, let's just look at trade for – I'm a strong supporter of this administration. I'm a strong supporter of the Doha Round, but if we don't get the Doha Round, it's looking pretty grim for it right now and we have a matter of maybe two to three weeks before I think we finally put up the

white flag of surrender on it. If we don't get the Doha Round, then I think we should move forward with regional and bilateral agreements. They're second best, but they're better than not doing anything. They're better than having a complete standstill in the area of trade. So I think that we do need to have both a multilateral and, I think, a bilateral approach to these issues.

Nancy Birdsall: I see Moisés making his, he's knitting his eyebrows. He's knitting his eyebrows.

Moisés Naím: You have taken a personal interest in understanding how these programs work. You are not only a policy maker that takes a very detached macro approach, but I know that you have gotten into the details and you have done this for years now. What do you now know that you didn't when you started about these programs and their requirements for success? And more specifically, where do you stand in the debate between, you know, the raging debate on foreign aid and development between massive money and modesty and targeted specific interventions that take into account local conditions and institutions? I am talking, thinking about the debate between the approach better exemplified by Jeffrey Sachs' point of view and those of Bill Easterly. You know, Jeff is very much in favor of a very, very massive deployment of money and resources. And Bill Easterly, in work by the way that was started in part here at the Center for Global Development, has a very, you know, a more modest, experimental, humble way of approaching, whether you – I know it needs both. I know that the answer is you cannot do anything without money and only money doesn't work, but where do you stand, given what you have witnessed over the years?

Jim Kolbe: Well the first part of the question is what have I learned that I didn't know. I've learned a great deal that I didn't know at the beginning. And I'm not sure I would quite know even where to start with that question. But certainly, one of the things that I have learned is that our foreign aid programs, our foreign assistance programs don't get the credit they deserve, that I think they've been much more effective and done a lot more good in the world than a lot of people give them credit for. I mean you can just look at vaccination of children and look at the number of, and when I say "our", I'm talking about the world, the developed world's, not just the United States. I think those programs have made enormous differences in the lives of people. There are millions of people alive today that would not be alive otherwise.

Where they have been less successful is in the area of long term eradication of poverty. We've had much more success in health areas and even in environmental areas, other areas like that, than we have had in development, long term eradication of poverty. It's a much more sticky and much more difficult issue. As to the debate between Easterly and Sachs as you characterized – and that's actually a pretty good way to use those two authors to characterize it – I think as my remarks suggested here today, I would come down more closely on the side of Easterly. I think that you're not going to be able to sustain the public support for development assistance unless you can show that it works. And I think what Jeffrey Sachs has suggested, and he's been talking about this for a long time, his idea that nations need to commit to 7/10 of GDP being committed to foreign assistance. We're not anywhere close to that. There's only a couple of the Nordic countries that even come close to approaching that number. So most of the rest of the developed world doesn't even come close to that.

I think it's an unrealistic number, given the demands that we have on everything else that the United States does, particularly unrealistic for us, given our role as the policemen of the world, the role that we play in maintaining stability with our military, which doesn't get counted as part of that, of course. So I think we need, I think that it's unrealistic – I think it's also unrealistic and not wise in that it simply says, "Put more money at the problem." And I was trying to suggest today, I think that what the Center has made a difference in doing has been to say, "It's not just a matter of more money. It's a matter of how that money is used." And it was because of that kind of analysis and that kind of philosophy, that the Millennium Challenge Corporation came into being, and that's exactly what we're trying to do with our development dollars.

Governance does matter. Jeffrey Sachs doesn't talk much about that, and this is not a criticism of Jeffrey Sachs, who has probably made a great – he has made great contributions to the whole development debate in this country and the world. But Jeffrey Sachs doesn't pay that much attention to that part of it. And governance does matter. It makes a big difference in terms of whether the dollars can be effectively spent. Let me just give you one – I hesitate to single out a country, but I'll do so. The country that has the largest percentage of its GDP in foreign assistance is Tanzania. We have more countries involved, European countries involved in providing assistance in Tanzania than any other country in Africa or any place in the world there. And largely, that goes back to Julius Nyerere and his presidency and the left leaning countries of Europe loved him and loved what he was doing, and poured a lot of money into the country. You can't look at Tanzania today and say it's a huge success with all this money. It's still, and by the way, years after Nyerere left office, it's still its largest recipient of aid in the world today, and you can't look at it and say this is a huge example of success for foreign assistance.

So I say it's not just a matter of the amount of money that is spent in a country. It's how it's spent and what the political will of the country has towards governance and creating a better society. The institutions make foreign assistance work right. Those are the things. Lack of corruption, independent judiciary, the independence of the judicial branch, the sanctity of contracts, property rights, intellectual property rights – those are the things that make development successful and that's what we have to put more attention on.

Nancy Birdsall: Very interesting. Very good.

Jim Kolbe: It's a long answer, to –

Nancy Birdsall: Well I want to turn to the audience but you know, we have here Steve Radelet, whom the Congressman knows, and we think –

Jim Kolbe: I should have mentioned Steve by name because there's no one more important in all of this debate than Steve Radelet and what he has done for this Center and for the debate on foreign assistance.

Nancy Birdsall: We think he wrote the book –

Jim Kolbe: He did write the book.

Nancy Birdsall: On the MCA. So he may want to follow up on the Easterly/Sachs comment.

Jim Kolbe: Here comes –

Nancy Birdsall: He is our aid effectiveness guru. Steve, you get the floor.

Steve Radelet: Thank you. And after that comment, I would make a large contribution to your re-election campaign, but I guess I'll make it to the Center instead. I wanted to ask you a little bit more about reform, institutional reform within the US foreign aid operations, and particularly USAID. The administration's two main big efforts on foreign aid are, of course, the Millennium Challenge Corporation and PEPFAR. Both more or less took place as new innovations outside of the existing structures. There's been much less effort to actually change the way that we operate within our existing structures, although the new reorganization might make a step in that direction. I'm curious your thoughts as to what the key steps might, that might be necessary over the next few years to try to make our more traditional institutions more effective. Is it rewriting the 1961 Foreign Assistance Act plus other things? Is it something that fundamental? Is it a deeper reorganization? Or is it some changes that can be made within the organization itself? If you had the green light, what steps would you take to try to make those more traditional organizations more effective?

Jim Kolbe: Steve, I hadn't really thought about rewriting the Foreign Assistance Act, but I think probably that's not a bad idea to at least examine that. It's probably not going to happen any time in the near future. We know how those things are when it comes to authorizing legislation. It can take years and years for something like that. Goodness, how many years has it been since we've had a reauthorization of the State Department Act? Years and years for that kind of thing to work its way through the process. But I think looking at that would be a good of way of saying, "How should we think about restructuring, structurally, the foreign assistance programs, to make them more effective. Lacking that – not going that far – but what can we do within the confines of what we do now?"

I highlighted in my remarks a couple of things like the trade enhancement, trade capacity enhancement fund that we've created this year. When I came to office, I said there were three things I really wanted to focus on at USAID, and one of them was the management of reforms there. And I would say that we probably had, trade capacity being another one of them, and AIDS being the third. The latter two, we've certainly had, I think, great success with. I would say that of the three, that I would feel most disappointed with the kinds of changes we've made at the US Agency for International Development. There have been some significant changes that I think are for the better, but it's like any federal agency. It's a bureaucracy. It's a big organization and you don't turn it, it turns like the Titanic. It turns very slowly and sometimes you don't get out of the way of the icebergs when they're in your way there.

So I think that some of the things that need to be done – one of the things clearly that USAID is struggling with right now is that they lost a core of their good people years ago and they are now in great danger of losing most of the really best, the cream of the crop, the best people they have

are going to be eligible for retirement in the next five years. If I were the USAID administrator, my number one concern would be convincing Congress of the need to increase dramatically the hiring of good people in the organization and keeping them professionally there – doing what you need to do to keep them in the organization professionally – or else USAID is going to be in much worse shape in a few years than it is today. I mentioned the procurement – we've made some real steps on that. We need to go further than just the procurement and the contracting. Personal management systems – all the management systems down there need a lot of work on them. I mentioned also – I would frankly like to see all the O&E costs, the operating expenses, placed program by program, including everything in Washington being assigned to programs.

There's a lot of resistance to that. At the very least, the O&E overseas, ought to be assigned to the programs, overseas, everything outside the country. That would make it much more, it would make it easier for us to identify what program has what cost assigned to it and for us to make then, more intelligent judgments about the, about how effective they are. Beyond that, the only other thing I would mention is that I have high hopes for the new Director of Foreign Assistance in the State Department, who happens to be wearing the same hat, at least for the moment, as the USAID Administrator. And I have high hopes that that is going to bring to a level of importance, foreign assistance and development assistance that we haven't seen before and bring it some coherence, both within the State Department and hopefully within the Whitehouse and the National Security Agency [inaudible].

Nancy Birdsall: Okay, we have a little bit of time left. I can't resist one other question from myself, then we'll collect a few from you, but first mine. I couldn't, I can't resist asking you, because of what you said about management reform at USAID, to give us any comment, information, suggestions, on how we can better support going back to multilateralism, you and colleagues on the Hill that would want to continue sustained support in a sensible way for the United Nations, where there is some of the same challenges about doing management reform. You may not want to – you don't have to answer that because we'll go to other questions, but –

Jim Kolbe: No, it's, the question is –

Nancy Birdsall: We had this little kaffuffle in the last few weeks, right? And what are attitudes on the Hill and what might a place like the Center and other colleagues here do to make it easier politically with the American people, to be very positive on the accomplishments of the UN, while being critical and insistent on the need for reforms?

Jim Kolbe: Again, a very good question. I think, Nancy, I think the accomplishments of the United Nations are manifest, and I mean, whether you go all the way back to the beginning and you see the first major conflict that we were involved in, in Korea under the United Nations flag, all the operations – there are 17 peacekeeping operations at the moment that the United Nations is involved with – its technical organization, technical work that it does, is excellent. It's when it comes to the General Assembly and to some extent, the Security Council, where we have, I think, some real failings and some real difficulties. There are, the reforms that we've been pushing – and it hasn't been just us – it's been other countries that are behind us in this – mostly in the developed world – agrees with these reforms.

It has become – I was just up at the United Nations last week for a day, and talking to a number of people, including the Deputy to the Secretary General and the head of Administration there, and it's really become a little bit of a thing, if it's being proposed by the United States, there must be something wrong with it, that we don't want to back it. And I think that there's a little bit of resistance to the reforms from what's called the G77, which is now the Group of 138, I think, countries, in the so-called G77. It's everybody except the largest developed countries in the world. There's a good deal of resistance to the reforms there. And I think it is partly because it's proposed by the United States and partly because, I think, in the end, if we don't get some of these reforms in place though, I think we're going to see, we could see a real crisis.

There's several people that I've talked to that believe we could see a real crisis of what we call, what they call a UN Charter crisis. Because the big issue, of course, is that the structure of the United Nations is exactly what we had in 1945. Does the Security Council members that we had in 1945 make any sense today? Certainly one for Europe makes sense, but does Britain and France both belong on the Security Council? Does Russia really belong on the Security Council? Should India and Brazil be excluded from a permanent position on the Security Council? I think that these are issues that are going to have to be dealt with eventually, and I don't know exactly we do it, but I think we're going to have to figure out a way to deal with that.

We're very close to a – I don't know that it's going to be a crisis point, but let me – it appears now that we're going to get some of the reforms – they have gotten the whistle blower reforms that are in place. They've gotten a number of the other personnel reforms in place. But they're really minor compared to a lot of the management reforms that are needed up there and the political reforms. And they're going to lift the cap on spending and go ahead and do that. There will be some backlash to that in Congress. I don't know whether it will result in withholding of funds or not. I hope we can create enough of a climate of support to understand that the work is ongoing – it doesn't happen overnight. It's important. We need to keep supporting the United Nations.

Nancy Birdsall: I think that's an agenda for a lot of us here. Okay, let's take two or three questions and then give the Congressman the last word. Is that okay if I take several in a row.

Jim Kolbe: Yes, and I'll make my – okay, you mean take several and I –

Nancy Birdsall: Right. So then you can pick and choose.

Jim Kolbe: Okay.

Nancy Birdsall: And please keep your question – introduce yourself and short.

Phillip Coticelli: Short as I can make it. Phillip Coticelli, Africa Fighting Malaria. I'd like to know, Congressman, what effect you feel carbon dioxide emission caps will have on developing country economies and specifically, how the Kyoto Protocol will affect developing countries' inabilities to shift rapidly to alternative fuels for industrial development. Thank you.

Nancy Birdsall: Go ahead, David.

Jim Kolbe: She's going to have to run like crazy to get back to the front.

Nancy Birdsall: This is the architect of the Commitment to Development Index.

David Roodman: David Roodman, Research Developer with the Center for Global Development. Mr. Natsios stood at this podium some months ago and talked very passionately about food aid and how he thought it was an absolutely moral necessity that USAID be allowed to buy some food locally, but in effect, Congress wouldn't let them do it. I think he also said that all the earmarks in the USAID budget now exceed the budget and this looks something like micromanagement, and so my question is, does the role of Congress in foreign aid need to be reformed?

Jim Kolbe: Very good David. Thank you very much.

Nancy Birdsall: Yes, please.

Jove Oliver: Hi, Jove Oliver from RESULTS. You mentioned the issue of governance and this kind of central role that that plays in developing, and looking at things like the MCA and the Global Fund where we kind of have some carrots now that are encouraging countries to be, you know, to move towards better governance, those are kind of carrots. Do you see anything wrapped up in UN reform that could serve a stick?

Nancy Birdsall: Okay, one more. Very quick and short. Sorry this has to be the last one I think.

Beverly Lindsay: Beverly Lindsay, Penn State. Congressman, you mentioned health, trade and governance, but what about the key role of education, because some of these issues can't be handled without an educated populace?

Jim Kolbe: Okay. Let me just try and respond very quickly to each of these because yes, I do have, I am going to be limited on time here. Phillip, I'm really not an expert in the impact of the Kyoto on developing countries and how it will impact their ability to switch to different kinds of energy, but it does appear to me that the emission caps do have an impact and I think it's one of the reasons why the United States Congress and this administration has been somewhat reluctant on the Kyoto caps, because of the limitations that it would or would not place on those countries. But I'm not – I don't pretend to be an expert in that field.

David, on food, does Congress' role need to be reformed? Sure. I mean, could Congress do a better job? Should we do it better? How do we reform it? Structurally, I'm not sure that we're going to reform it, Congress structurally in the way it deals with this. I would question Andrew's point about the earmarks actually exceeding the total budget, and that's because the earmarks are not – they're never hard earmarks, only soft – only hard earmarks are ones for Egypt, Israel, those earmarks. The others are all soft earmarks, and so they do not have to be

abided by. Congress says, “We think this should happen,” but they’re constantly telling us, “We’re going to spend the money on this, we’re not going to spend the money on this,” so it’s Congress’ direction.

You know, this whole question of earmarks comes up in the whole larger context of the earmarks in Congress, and the last time I checked the Constitution says no money shall be spent except as appropriated and authorized by the Congress of the United States. Now obviously, the President wouldn’t like to have us appropriate one dollar amount and he would make all the decisions of everything, about how it got spent. But we’re not going to do that. And I think it is appropriate that Congress, the people, through their elected representatives, do have some significant say over the way that the dollars are going to be spent. The food aid issue is scandalous, and I happen to be on Andrew’s side on that. But then I don’t come from a farm producing state. I am reasonable enough, however, to understand the politics of this. You wouldn’t get support for food aid if it weren’t for the fact that it was Public Law 480 and that it comes from the, it comes from our farmers, that it’s US food that’s being produced.

But it has all kinds of implications that Members of Congress do not think of. Not only is it wasteful and costly, but it actually has a negative impact because, rather than buying it locally, it actually depresses prices at times, in the countries where we are trying to provide the assistance, thereby flooding the area with the kind of food that might be grown there. So we really should reform that. I tried making a modest effort at doing that this year and was shot down by everybody, so ended up not doing it.

Jove asked about the sticks that we have in UN reform. Well, I think the sticks obviously will be in the budget at some point, just how much of the budget we’re willing to continue to contribute – not just the basic dues, but of all the different assessments of all the different parts of the United Nations.

And finally, Beverly asked about the key role of education and it’s true. I mean I picked out three that I think are absolutely critical, but there’s no doubt that education is absolutely, is of critical importance. I do think that if you start to see economic development taking place, education will follow along with that. You will see education, you will begin to see commitments to education. One of the things the Millennium Challenge Corporation has is one of its objective criteria, is the country’s commitment to education. Not that they spend a lot because we’re talking about a poor country, but what they have available to them, if they spend a good part of that resource on education. So I think those – it is absolutely essential that we have a commitment to education. We could spend a lot of time talking about what that should be – what kind of education that should be, particularly when we talk about Muslim countries today and whether we’re talking about Madrases or we’re talking about secular education or how do we structure that education? Where should we be putting our dollars? But I think it’s an absolute critical issue.

Nancy Birdsall: Congressman Kolbe, we are honored to honor you. I think you deserve a standing ovation.

Jim Kolbe: No.

Nancy Birdsall: I want you back, I want you back.

Jim Kolbe:: Thank you very much.

Nancy Birdsall: Please join us. You can continue these conversations or we can amongst ourselves. We have a reception in the back. I'm sorry we can't have the Congressman too, but please relax and enjoy yourselves.