

# **CENTER FOR GLOBAL DEVELOPMENT**

## **NEW DAY, NEW WAY: U.S. FOREIGN ASSISTANCE FOR THE 21<sup>ST</sup> CENTURY**

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STEVE RADELET: Good morning. My name is Steve Radelet. I'm a senior fellow at the Center for Global Development. I want to welcome everyone here. It's great to see such a good turnout, so many people. We're looking forward to a great event and a lot of discussion on the issue of modernizing U.S. foreign assistance. We're going to get started very quickly and since we're all talking about elevating development on par with diplomacy and defense, we're going to use military-type defense punctuality here and get started and respect the time of the members that are here with us that have so generously joined us today.

So we're going to – we're very pleased to have with us to start our event today Congressman Howard Berman who is the chairman of the Foreign Affairs Committee of the House and a great leader and champion of these issues. He's held some hearings already on the issue and hopefully more in the future will come. And we're looking forward to his remarks. So please join me in welcoming Congressman Howard Berman.

(Applause.)

REPRESENTATIVE HOWARD BERMAN (D-CA): Well, thank you, Steve, and it's great to be here. I see my Senate colleague, Senator Hagel, who has been quite a voice over the years for looking at things as they are and pointing out when they're not working. And it's great to have him in support of this cause.

I'm sort of flabbergasted on the issue of foreign-assistance reform. And an entire room is filled with people and it sort of energizes me to push on with this whole subject. And I want to thank the sponsors of the event for inviting me. Some of the people at this event, Steve for instance, testified on this very subject in this very room several weeks ago and our committee has made this a top priority. What's interesting now is that the calls for foreign-assistance reform are really at an apex. This is a very encouraging development to me; and I certainly hope we do not squander this opportunity.

Various proposals are making the rounds, including those that will be announced today by the Modernizing Foreign Assistance Network. While there is no complete and total consensus yet on the direction that the reforms should take, there is a broad agreement that our foreign-assistance program is fragmented and broken and in critical need of overhaul so that it can better respond to the significant challenges of the 21<sup>st</sup> century.

One key means to that end is for Congress to resume the practice of regularly passing foreign aid and State Department authorization bills. For far too long, we have been lax in our efforts to focus congressional attention on such bills, which are essential for strengthening the tools of effective diplomacy. As I indicated, the Foreign Affairs Committee has held one hearing on foreign aid reform for the next administration. I

intend to hold a series of hearings this year that will help us consider various aspects of foreign assistance reform, such as rebuilding U.S. civilian diplomatic and development agencies and the role of the military in delivering and shaping assistance.

We'll also take a close look at the implementation in the field that will address how a U.S. country mission coordinates and harmonizes the various programs and funding for a particular country, including USAID and State Department funding, DOD assistance, and MCA assistance. History has shown us that reform can only occur when all sides come together committed to the result as much as to the process. And I'm committed to developing a partnership between Congress and the next administration on reforming the U.S. foreign-assistance program.

Next year, we plan on overhauling the Foreign Assistance Act of 1961, which hasn't been reauthorized since 1985. Everyone in this room is quite familiar with the shortcomings of this legislation. A thoughtful and comprehensive foreign-assistance legislation will provide the U.S. government the authorities it needs to tackle global extremism, poverty, corruption, and other threats to our long-term national security goals.

As this process moves forward, greater attention and resources must be given rebuilding our core development functions, including basic education, child survival, and mental health, educational and cultural exchanges, and agricultural development programs. These core development programs have received little attention and limited resources in part because of an expanding number of presidential initiatives. We'll also have to consider whether to incorporate such initiatives, including the Millennium Challenge account into a foreign-assistance reform process.

I also hope that the Congress in the next administration – in fact I don't just hope it; I intend it – that we closely examine the expanding role of the department of Defense into foreign assistance, which is of concern and which needs to be reviewed carefully. We must examine why in just five years, the DOD moved from being responsible for 7 percent of bilateral official development assistance to an astonishing 20 percent. DOD activities have expanded to include the provision of humanitarian assistance and training and disaster response, and counter-narcotics efforts. These activities should and must be carried out primarily by America's diplomatic and development agencies. While we deeply respect and greatly appreciate U.S. military forces, our civilian agencies and their implementing partners must be the public face of America around the world, not the military.

So I want to thank the organizers for this invitation to speak here. I do want to tell you that what you're going to talk about and what you're going to present, we are going to very seriously review. I know where many of you come from and share your perspectives on these issues, and that this won't – it is my firm belief that this won't just be just another process where we sit around and talk about the way we'd like the world to be, that what you talk about is something that we're going to pick up and run with.

And once again, thank you for doing this and I look forward to listening to Senator Hagel. Unfortunately, I talked about the fragmentation of foreign policy initiatives. In a few minutes, I'll have to leave because we have the Merida Initiative on the floor of the House today, but change comes a little slowly. (Chuckles.) Thank you very much.

(Applause.)

MR. RADELET: Thank you very much, Congressman Berman, for your words and for your leadership on this issue. We're very happy to hear of the plans to rework the act and we'll certainly be supportive in any way that we can. Now, it's my great pleasure to turn to Senator Chuck Hagel from Nebraska, two-term senator, who, as Congressman Berman has been a great leader on this side of the building, a couple of blocks away Senator Hagel has been a great leader and champion of strengthening U.S. global engagement around the world in many different ways, including on foreign assistance. So we're very pleased that he's with us here today to share his views on this. And please welcome – please join me in welcoming Senator Hagel to the podium. Thank you very much.

(Applause.)

SENATOR CHUCK HAGEL (R-NE): Thank you, Steve, thank you. Hello, Nita. Good morning. Nita Lowey has just arrived so we can begin, Mr. Chairman. (Chuckles.) Thank you, Chairman Berman, for your leadership, intense understanding and comprehension of the, I think, most important issues that will face our country and the world over the next 20, 25 years. And for us, that means reintroducing America to the world and what this effort has been about.

And I've had a chance to look at some of the early drafts of this, and to Steve and Gayle, for your leadership as co-chairs, thank you, and all the members who participated. We appreciate your good work and your focus on what Chairman Berman talked about in a comprehensive, relevant integration of our resources, our role in the world. And essentially, that comes down to one common denominator for all of us, and that is how do we make a better world? That's what politics should be about; that's what leadership should be about.

It should be integrated into the fabric of all of our programs in our government. If we are asking the people of this country to support our leadership on our programs, then there must be something connected to that more than just going through the motions of policy and process and appropriations. And to Nita and Chairman Berman and others on this side who have led this effort and guided this effort, I thank you.

I'm not often asked to come over to such auspicious, magnificent surroundings as the House Foreign Relations Committee with the former chairmen all peering down, telling Howard not to screw it up – (chuckles) – as he gavel the committee together and pay attention. We don't do that. When we throw out a senator, an old chairman, he's just

gone. (Laughter.) We don't put a picture of him anywhere. It's a tenuous life over in my part of the world. And we just privatized the restaurant.

Nita just commented – and she will get her turn here – but she just commented they usually stay forever in this setting. (Laughter.) That's enough, Nita. We don't want to hear any more of that. (Laughter.)

Let me just expand for a moment on what Chairman Berman talked about on this effort and the relevancy of what you have done here and what his committee will be doing next year. And I hope the next president will take this seriously as well as the next Congress. I have never believed that foreign assistance should be viewed through the lens of welfare or just a straight assistance program alone. I've always viewed our investment in these programs as much broader and deeper; first, an investment: an investment in America's role in the world, an investment in stability and security in the world, an investment to a more peaceful world.

And it is clearly in the interest of America, clearly in the interest of America, to do this wisely. We have spent a lot of money over many, many years on foreign assistance programs. And just as Howard noted, it has been over the years a bit fragmented, sometimes unintended as to where those dollars would go, sometimes contradictory, sometimes almost ricocheting from crisis to crisis without any large strategic context of where do we want those dollars to go and why and with some organized focus.

In addition to that, it is my belief, as I have worked in this vineyard for a few years, not as long as many of you have, but it is critically important to maximize our NGOs and our outside groups represented here today, almost everyone in this room represents an outside institution that has a very significant role to play and has played in the general area of foreign assistance. We could be harnessing those resources and that leadership far better than we are. And I know that some of what is included in this report touches on that.

I've also thought over the years as I have been part of developing policy and seeing for myself what works and what doesn't work, that we live in this great, unpredictable, transformational time, when what worked 50 years ago, 25 years ago may not work today. And when you look at just the demographics of the world, almost six and a half billion people, and almost 40 percent of that population is under the age of 40 years old, we are seeing power centers shift.

We are seeing the greatest diffusion of economic power ever in the history of the world, and with that comes new centers of gravity for geopolitical thinking and strategies and influence. And we have to shift with that. We have to focus on these forgotten areas. And when you step back for a moment and you think of the tremendous progress we have all made, the world generally, not all of us, but generally, over the last 60 years since World War II, unprecedented historic, by any measurement in every field: medicine, science, technology. But when you develop that down further as to where the

trouble areas of the world are today, where are the most difficult, combustible, complicated areas of the world?

They are the areas that were left behind over the last 60 years. They are the areas that did not benefit from these great strides on behalf of humankind. And you know them: the Middle East, Africa, a good part of Latin America, other regions. And there's where we're going to have to focus our attention as much as we ever have because we know one thing, and Howard noted this, the military has been asked to do so much over the last few years. We've asked the military to carry so much of the burden.

And it was interesting that Secretary Gates in his speech at Kansas State University a few months ago, many of you read about this, the Alf Landon lecture series, spent a good deal of that speech talking about the State Department, the programs we're talking about today, need far more resources and far more emphasis and far more integration into our foreign policy and our national security efforts than what we've seen. That's particularly interesting coming from a Secretary of Defense. And I think Secretary Gates was exactly right. And he sees this from the larger perspective of his department is carrying a tremendous amount of the burden.

And they're doing it magnificently well, but we're not going to fix the problems in Iraq and many of these other areas of the world, and all a little different, with the military. General Petraeus noted that before our committees in the Senate and the House. There's a role for that, but we've got to do a better job of using all the instruments of power. Diplomacy is not appeasement and engagement is part of diplomacy. These kinds of programs are part of the arsenal of great nations' efforts to bring a better world, and that needs and requires a wise set of principles and programs and guidelines and focuses with wise leadership and people committed to a better world.

And I think that's what you are all about. That's what you have been about. That's what this document reflects. And to all of you who continue to do so much for our country and the world, I think you very much. Now, let me introduce a friend, someone I greatly admire who is very important in this effort, who will continue to have a very strong influence on these kinds of programs and others, your friend the Congresswoman from New York – there's only one of course – Nita Lowey. Nita, welcome. (Applause.) Thank you, thank you.

(Applause.)

REPRESENTATIVE NINA LOWEY (D-NY): (Off mike, inaudible.) Now, it's on. I'll thank you again in case you didn't hear. (Chuckles.) I do want to thank you for that gracious introduction. And we are all admirers of your leadership and your independence and your important, important contributions in this area which we are discussing.

So again, I am honored to be introduced by you and I am honored to follow my good friend, Howard Berman, our new chairman. And we've had many, many

discussions. We've been friends for a very, very long time and I couldn't be more delighted that he is the chair of this committee. And I wish you continued success, Howard Berman. And I thank you, Steve and Gayle, for arranging this very important gathering and creating the Modernizing Foreign Assistance Network.

It really is a pleasure for me to be here with so many of you who are active in this area and whose contributions and opinions I truly value. And frankly, today's event is very timely indeed. It is needed and a crucial step in the process of improving our foreign assistance apparatus and ultimately our national security. As you were talking about Secretary Gates, Senator, I kept thinking, hmm, what Howard and I would do with a budget of \$600 billion. I'd even take \$300 billion; I'd even take \$100 billion, what we could do with that kind of appropriation.

This is my 20<sup>th</sup> year in the Congress and throughout these two decades, besides wishing for \$100 billion, I've been a strong proponent of robust internationalism and believe that the United States must play a leading role in global affairs. And with the myriad of global challenges we face today, foreign assistance, as you know and this administration knows by making it a pillar of our national security policy, as this administration understood it and the people in this room understand that this is more critical than ever to our foreign policy. Our assistance programs are our means of alleviating poverty and suffering, advancing human rights, and promoting democratic governance.

But it is also in the interest of the United States of America to pursue a vigorous aid and development program. Open, healthy, functional societies are consistent with, and indeed essential to, global security because they directly confront the conditions that give rise to radicalism. We as a nation, and in particular the Congress and Secretary Gates, Senator Hagel, many people are speaking out about the need for a robust national defense. However, it is a pleasure to hear people beginning to speak out about a robust foreign aid program.

However, as has often been said but seldom understood, our diplomatic and development programs are the first line of defense. In 2002, President Bush did elevate, as I mentioned, global development, as the third pillar of national security. And while this post-9/11 focus on aid may have resulted in a change in semantics of how we talk about foreign aid, it has led to little real change in how provide foreign aid. The foreign aid apparatus, which has grown organically to accommodate every new initiative and directive, is badly in need of an overhaul, in my judgment.

Almost since the day our foreign aid program was established, there have been efforts at reform. As far back as I recall, people are talking about reform. That's why we have to really seize this moment. And I thank you again. Virtually every administration has attempted to retool our development toolbox. However, the failure, in my judgment, to undertake a comprehensive reform looking at long-term needs as well as short-term priorities, has resulted in layer upon layer of new programs, new mandates, new

bureaucratic structures, new congressional and administrative directives being heaped on an overstretched and outdated infrastructure.

So rather than rebuilding and revitalizing USAID, the current administration has chosen to go around USAID, thereby frankly exacerbating the problem. In the past seven years, we've seen a proliferation of new initiatives: PEPFAR, PMI, MCA, MEPI, OGAC, MCC and OGAC to administer them, right? (Chuckles.) I think we may actually be running out of acronyms. By the way, let me just say I'm not acknowledging some good friends because I'm sure I will leave out other good friends with whom I've been meeting personally on this issue.

This movement away from USAID, the agency that traditionally devises and implements humanitarian and development assistance, has further weakened and demoralized the agency. Another trend that we've seen post-9/11 is the growing role of DOD and other Cabinet agencies in implementing aid programs. A recent Congressional Research Service study found that nearly one-fourth – you probably all know this – of our foreign aid dollars are appropriated to and implemented by the Department of Defense and another 22 percent by other departments and agencies. Only 53 percent of our total foreign aid programs are executed by the State Department and USAID.

The diffusion of resources and responsibilities across agencies and departments must be examined. The involvement of 10 Cabinet departments and over 15 sub-Cabinet or independent agencies has created a management nightmare for our ambassadors in the field, and has led to a lack of oversight, accountability, coordination, coherence of our assistance programs. That's why I have teamed up with Howard Berman and Ike Skelton to offer the amendment to the National Defense Authorization Act to create an advisory panel for the secretary of State, secretary of Defense, and administrative USAID, on ways to collaborate better on matters of national security.

This panel, which will be comprised of individuals named by State, USAID, and DOD will bring together the defense, diplomatic, and development perspectives in guiding our foreign policy and national security strategies. However, I'd like to say, Howard, we did a great thing but it won't be effective until January. And as Howard and I agree and most people in this room, we've got to do it now so that we're ready to put in place a structure and include our ideas for our new administration, Chuck, whoever it may be. I may have some ideas about that.

We have to strengthen our development and diplomatic capability in order to relieve the stress on an overused and over-burdened military. I took the first step last year by reversing years of cuts to the operating budget of USAID and this year by including funding for the civilian stabilization initiative, and to boost staffing for State and USAID in the supplemental that is now pending in Congress. However, if we are to maintain the support of the American people for continued increases in foreign aid spending, we must improve the effectiveness and efficiency of programs and show a greater return on the investments we are making. It's time for us to look at the foreign



assistance apparatus of the United States with the aim of reinventing it to reflect the challenges and needs of the 21<sup>st</sup> century.

What is needed, in my judgment, is a renewed, more focused mission and mandate, a better understanding of the expectations of Congress and the American people, and a streamlined, coherent and empowered structure that could implement this vision. There have been a number of reports and studies over the past two years, Steve can tell you how many, that examine the key issues and provide recommendations to guide reform efforts. There is a great deal of consensus on these reports and I'm gratified to see so much agreement among the NGOs, the think tanks, and academics on what reforms are needed.

Certainly, we can all agree on the need for increased coherence and coordination of the United States government's foreign assistance programs. I also agree on the need for new structures and authorities to achieve our foreign-assistance goals. However, there's been a great deal of focus on the need to establish a new Cabinet-level agency for development. This is where some of us may part company. We're all open to discussion, but some of us may have some different views on this issue. I am concerned that all of the interest and energy and reform will be for naught if the debate becomes one about Cabinet-level agency versus non-Cabinet-level agency.

And I like DFA too and I think they do a good job, but personally I am concerned that while a Cabinet-level agency for foreign assistance and development programs would elevate development in a new and exciting way, it might also result in an eventual separation between our foreign-assistance programs and our foreign-policy agenda. Now, some in this room may think that's a good idea. So this is worth a discussion. I see some smiles, some grimaces, et cetera. But more importantly, I think the most urgent task before us to address the issues of coherence, coordination, and capacity. The issue of Cabinet or non-Cabinet agency, in my judgment frankly, can wait.

Meaningful reform is a daunting task in itself, one that will require bipartisan undertaking, close collaboration between the executive and legislative branches, and the many stakeholders of U.S. foreign aid. And I hope that the energy behind today's event – and this is amazing. I've spoken on this issue many a time; I've never seen a standing-only crowd. So please, you're allowed to use these seats up here. I hope that we can really get this done.

And I just have to close, Senator, with a remarkable story. I was at the picnic, the president's picnic last week and Senator Russ Feingold saw me and came running over to say hello. And he said, I saw your school; I didn't tell you, I saw your school. I said, what do you mean you saw my school? I went to school in the Bronx, PS 114. No, no, no, I was in Dadar in the earthquake zone.

And about six months ago, I had a co-del, which I took up to the earthquake zone and we dedicated this wonderful school with a plaque brought to you by the people of the United States of America and these wonderful, wonderful girls with their scarves. They

were just lovely. They were about middle school age, and one asked me for a science teacher, another asked me for computers.

I never thought anyone would ever get up to Dadar again, but it just planted firmly in my mind some of the wonderful things that USAID does and that we do as citizens of the United States of America. So I think it's incumbent upon all of us to really focus like a laser beam, get this done, and get it done in the next couple of months so we can make strong recommendations – some of you may even be on a transition team or higher, you never know – and we can. And I know Howard and I and Ike Skelton are committed to getting this done as soon as possible. So thank you again for your hard work.

(Applause.)

MR. RADELET: Thank you very much. Please join me in thanking Chairman Berman, Senator Hagel, Congresswoman Lowey. Thank you very much for your time and for your remarks and for your leadership. (Applause.)

We are now going to shift to part two where Gayle and I will give an overview of our consensus document and tell you a little bit more about the conclusions that we have come up with. There's a few chairs here in the front, so those of you in back, come on up. But let me turn over to my friend and colleague, Gayle Smith.

GAYLE SMITH: And there are also, quite seriously, there are chairs here. If you're not like whispering bad words over my shoulder, I can certainly deal with it. Seriously, there's no need to stand; come fill these up. Pretend you're in Congress for a day. Come on, Victor.

You know, my job was to come up and talk about why we're doing this, but I sort of feel like saying, yeah, like they've said, I think we heard quite remarkable comments from our members of Congress, and comments that are right on point. And I particularly want to echo what Congresswoman Lowey said about USAID and all of our colleagues in the now multiple development agencies we have in the U.S. government. We want to give a salute to your for all the good work you do. And we hope through this initiative we can lend you more support.

Despite the lack of jazziness to our name, the modernizing assistance network, or MFAN, we represent a network of think tanks, NGOs, and development experts who have come together for the very simple reason that we believe that the United States has a leading, effective, and powerful role to play in global development, a role that can serve our national interests by bolstering our security while also, and perhaps even more important, strengthening the moral foundation from which we lead. To us, development is about more than projects or aid or about simply caring about the world's poor; it's about the capacity of people, of communities, and of countries to live in dignity, to withstand vulnerabilities, to seize opportunities, to engage in their local, national, regional, and the global economy, and to participate as responsible and respected

members of our international community. To us, foreign aid, then, is the tool with which we invest in building that capacity.

We're here today and came together to make the case that global development is of great importance to the United States. And we're here to make the case that we must urgently modernize our foreign aid system so that we can invest effectively and responsibly in that development.

Now, people say, why now? First, the challenges that we face in the world are too complex and too many to respond solely with defense and diplomacy. Second, there are huge opportunities before us. This is the open season of political debate and a wide far-reaching debate across the country and indeed the world about our role in the world. And third, there are expectations at home and abroad about the ability, willingness, and manner of the U.S. leadership in the world.

Some say it's too hard to reform foreign aid, that when we have challenges like climate change, a global food crisis, wars all over the earth, there's just too much else on our plates. We would argue that that's not the case that first and foremost there is a constituency for reform, and it's a constituency that has consensus. I share in the remarks of our members of Congress that if we had done this a few years ago, I think my mother would have come; a couple of friends might have come. But we never would have seen this kind of reception.

Second, we're seeing leadership in Congress as you just heard. And third, we need to do this. Reforming and modernizing foreign assistance is not a distraction from climate change or the global food crisis or conflict around the world. It assists our efforts to rectify those challenges.

The problem we have is that the foreign assistance system we have was created in 1961. And since then, it's grown more complex, more convoluted, and less agile. And while President John F. Kennedy was farsighted, he didn't foresee the world we live in today, a world where the challenges we face include not just strong states but also weak ones, a world where climate change, the food crisis, the international drug trade, and new global pandemics drive home the fact that modern threats transcend state borders, and a world where the gap is growing between the world's haves and have-nots, between those who are engaging in globalization and those who are left behind, and between those who have opportunities and those who believe that violence is a more potent tool for change than hope.

In the network, we welcome, like all of you, the commitment to development we've seen in the last few years. The creation of the global initiative PEPFAR to fight the global HIV/AIDS pandemic; the creation of the new tool, the Millennium Challenge Account, for investing and consolidating in the economic progress the world's best performing poor countries. We also welcome that these initiatives have had strong bipartisan support because we believe that a clear-eyed focus on development is in the interests of the U.S. and both political parties that govern it.

But we also believe that we now have the challenge and the imperative to reshape the whole of our foreign aid system, and to craft a nimble, modern, and capable system that can allow us to secure real development returns over time. We're part of a growing and diverse movement that shares the view that we can and must do more, we being the public, the Congress, and the executive branch. And there is consensus around four key issues.

First, there is a consensus that we must elevate development and give it a seat at the foreign-policy table. Consider Pakistan where, between September 11<sup>th</sup> and last year, we've provided almost \$11 billion in assistance; 2 percent of that has been for development. Little of it has been for the development that can reduce the sweeping poverty that still plagues the country, that can promote secular education, and that can engage the Pakistani people in the common and global pursuit of fairness and justice. Giving development a seat at the foreign-policy table can enable us to help the people of Pakistan to shore up its fault lines and to bolster our own security.

Second, there is a consensus that we need to coordinate our foreign aid. And Congresswoman Lowey gave, I think, a very effective account of how uncoordinated it is today for the simple reason that no one is either fully in charge or fully responsible for ensuring that the whole of the U.S. government is doing the best it can or that our policies are coherent.

Think about the global food crisis that we're not seeing, one that has plunged hundreds of millions into abject poverty, triggered a 40 percent increase in the food-import bills of the world's poorest countries, and triggered riots or protests in 12 countries. One of the many causes of this crisis is the failure of the international community to invest in agricultural development. Between 2002 and 2006, the United States spent four more times the amount of money on food aid than on agricultural development that might have helped people withstand this kind of shock. We didn't do that because people don't care about the world's producers; we did it because no one is on first and no one even knows that no one is on first.

The third area where there is consensus is on the need to sustain our development investments over time. I don't need to tell this audience that development is not something that can be achieved in a year, two, or even four. We've got to counter the pressures of the 24-hour news cycle and work across the span of successive administrations. If you look at what we do today, the pattern of our aid is such that we do little to prevent crises, respond generously when they occur, and depart shortly thereafter. As a result, we're seeing increases in sub-Saharan Africa, for example, of emergency spending, which is now almost one-third of our total allocation.

Finally, there is consensus that we need to streamline the system, striking a grand bargain that provides the executive branch with the flexibility it needs and the legislative branch with its oversight authority, that we need to lash up the development programs of our civilian agencies with the growing development portfolio being managed by the

Pentagon. We need to align our aid policies with our trade policies. And importantly, we need to fix all of those less sexy but critically important systems that make it work.

The bottom line is that we live in a complex world where many are looking to the United States to lead and lead by standing for the hope that all people share for a better life for themselves and their children, for freedom from fear, and for freedom from want. The fact is that to answer that call we need to muster all of our power. That's defense; that's diplomacy; but that's also development. Investing in development means investing in a world where capable states and open societies work in concert to secure our common interests. Investing in development means investing in our sustainable security over time, and in our common humanity today and tomorrow.

In the view of our network and the many of you that we hope will join us, it's time to step up to the plate to meet this opportunity and this imperative. So that's why we're doing this. Steve Radelet, my co-chair – and we have many other members here, which we will introduce just afterwards – is going to talk about, okay; so what; what do we do. Thank you. Steve?

(Applause.)

MR. RADELET: Thank you, Gayle. I was going to wait to bring our colleagues up, but given the shortage of chairs, I'm going to ask our colleagues to come up front to spring a few more chairs. We will be turning to their input during the question and answers. We've got David Beckmann who is the president of Bread for the World, Lael Brainard who is the vice president and director of the global economy and development program at Brookings, George Ingram who is the executive director for education of the Education Policy and Data Center at the Academy for Educational Development, Carol Lancaster, director of the Mortara Center for International Studies at Georgetown, and Ray Offenheiser who is the president of Oxfam America.

So we will be turning to their input during the Q&A. But I thought I'd spring a couple of chairs. And if there are any other chairs, I don't see any. Volunteer those chairs next to you.

(Off mike) – Senator Hagel, and Congresswoman Lowey, and Gayle have all –

MR. : These chairs are out of bounds.

MR. RADELET: I believe that they are out of bounds. (Chuckles.) Have laid out a clear diagnosis of the issues that we face, the problems that we face, and the need for thoroughly modernizing and elevating our foreign-assistance programs. Our group has been meeting together for several months on these issues. We did not come together with the preconceived ideas of what needed to be done, what the steps forward would be. But we came together as a group of professionals with a variety of experiences, working within the government, in State Department and USAID, Treasury, other places, working in NGOs, working in the field, working around the world with different experiences; but

sharing a commitment to the importance of development and the importance of enhancing and strengthening the role of the United States as it engages with the rest of the world.

We've met for several months, debated lots of ideas and alternatives, many different debates that we have had. But we have come together on a fairly clear consensus of what we think would be the best way forward. One of our key principles that we came to conclude is that any reform effort has to be comprehensive. There is no silver bullet here. There is not one thing that this is about. There is no Band-aid. There is no just one thing. We need to clearly articulate goals and objectives. We need to rethink the legislation. We need to rethink organizational structures. We need to rethink how we allocate funding and how we monitor and evaluate that funding so that we can use the scarce dollars that we have in a much more effective way. This is not just about one thing; it is about comprehensive and deep modernization.

Through our months of debate and discussion, we have reached the conclusion that there are four key actions that need to be taken to make foreign assistance a more effective tool for meeting the foreign-policy challenges of the 21<sup>st</sup> century. First, we believe that each administration must develop and articulate a national strategy for global development.

That strategy must lay out a coherent framework for what we want to achieve and how we want to use our various tools to achieve our goals of economic growth, poverty reduction, and strengthening U.S. national interests around the world. It must elevate the stature of the development mission alongside diplomacy and defense, not just in rhetoric but in reality, and position global development and poverty reduction as the cornerstone of our foreign-assistance mission. Without a clear strategy and clear goals for how we want to engage in the world, we will get nowhere.

Second, we must reach a grand bargain between the executive and legislative branches on authorities and responsibilities. We must enact a new foreign assistance act. Our Foreign Assistance Act of 1961 is badly out of date and in need of rewriting. We're very pleased to hear Chairman Berman's remarks about his efforts to try to lead the effort to take a deep look at that act.

This new act should reflect a shared vision of the role and the management of foreign assistance, shared by both the executive branch and the legislative branch. It should provide the executive branch with the authorities that it needs to respond flexibly to rapid changes in the global environment such as the global food crisis, while at the same time it must ensure the rightful and comprehensive oversight from the legislature. The act should clearly articulate our goals and objectives. It should consolidate decision-making and implementation into a single institution for most of our programs. And it should reduce the political and bureaucratic constraints that we are faced with such as earmarks, presidential initiatives, and other constraints that simply increase costs, slow our delivery, and weaken our ability to achieve results.

Third, we must streamline our organizational structures and strengthen our organizational capacity. It is crazy that we have 20 different agencies that implement foreign-assistance programs. It just doesn't make any sense. The right hand does not know what the left hand is doing. There is a lot of waste of funding and duplication of efforts. We must consolidate and streamline policy, implementation, and budget authority into one agency for most of our programs.

Our group considered a wide variety of organizational options: a White House czar to coordinate across agencies, a revamped USAID, perhaps a strong sub-Cabinet agency similar to OPIC, Ex-Im, or the MCC, and merging everything into the State Department. We believe that the best way forward is to create a Cabinet-level department for global development with core organizational capacities that are enabled by a strong cadre of professionals and new legislation.

A Cabinet-level voice, in our view, is critical to elevate development as a central component of U.S. global engagement around the world, alongside diplomacy, defense, trade, international financial policies, and our other instruments of foreign policy. This new agency will need the budget authority and the mandate to lead policy formulation and coordination across agencies.

I want to stress a key point here. Regardless of the organizational structure, steps must be taken out to staff, rebuild, and transform civilian institutions such as State and USAID. Whatever the organization looks like, this is not about moving boxes; this is about re-professionalizing and rebuilding the strength of our development expertise around the U.S. government, which is deeply weakened in the last several decades. This is not just about moving boxes.

It is also dangerous to think that the debate is only about this issue. It's not just about this issue. Congresswoman Lowey was absolutely right. We believe that this is the best way forward. But it is part of a comprehensive approach and it is not just about this issue. So that's the third piece.

The fourth piece is that we must both increase the funding for and the accountability of our foreign-assistance programs. We must do a much better job of allocating scarce funds to the countries that need it most. We must do a better job of seriously monitoring and evaluating our programs to better understand what works and why it works and then allocate more funding to our most effective programs. The entire approach that we're outlining here today is designed to get more bang for the buck.

But we also need additional funding. The increases in funding in recent years are welcome. But they are on top of a very low base. And in our view, they are inadequate for the United States to fight poverty, state failure, and instability in low-income countries around the world. More money better spent is an important part of strengthening global leadership around the world.

We do not claim to have all the answers. What we want to do is start a debate and a discussion and bring it to the next level. We do not think that we have all the answers. But we want to engage with everyone who is interested in this to find the best way forward. We're not just going to issue this report and go away. We see this as the start of an effort about how we can best modernize our foreign-assistance tools in the coming months.

We know that taking on these challenges are not going to be easy. Modernizing development assistance into an effective instrument for U.S. global leadership is going to require major organizational reforms and a lot of leadership at many different levels. But today, as we have already seen, there is strong backing for change on both sides of the aisle and for elevating the importance of development. There is growing consensus around the missions and mandates and strategies that we must follow.

We believe that this is the time for leadership and for action. We call on the presidential candidates, Senator McCain and Senator Obama, leaders in Congress of which we had three with us today and others that are quite interested in this topic, leaders of grassroots organizations, people interested in strengthening U.S. leadership abroad, and fighting poverty to join us in this effort

We invite all of you to join us in this effort. Write op-eds; visit staffers; visit members of Congress; contact the presidential candidates; meet with other people that are leaders in the field. But have your voice heard if you believe that this is an important issue. I think the fact that we have so many people here standing says a lot about the views of how important this has become. But we ask all of you to invite this.

We think it's time to take advantage of this rare opportunity to modernize and strengthen U.S. development assistance, to combat poverty, and widen the circle of development of prosperity around the world and further other U.S. strategic interests abroad. Thank you very much. (Applause.)

Thank you. We are now going to turn to question and answers. It's your turn. Hopefully answers – I'm sure there will be questions; hopefully, we'll have answers. And what we do want to do is engage several of our members of the group that are with us here today. The group is larger than this but these are some of the members that could join us today. So what we want to do is hear from you.

Do we have a microphone? We do have a microphone. Heather has a microphone. So please raise your hand, identify yourself, and say who you're with. Please note, no speeches. I got to do that. But the rest of you, just ask direct questions to any of us and we'll answer them as best we can. Thanks.

Q: Hi, Paul Clayman. I was at State for 15 years, lawyer responsible for foreign assistance; and most recently, Senator Lugar's chief counsel on the Foreign Relations Committee. I'm now in the private sector at APCO Worldwide.



My standard question to this group – Lael is already smiling – is assuming we have a Cabinet-level department for development, what about the rest? I have a State background and I can tell you, State Department is messed up. There's nobody who joins – I'm sorry; I didn't here.

MS. : (Off mike, inaudible.)

Q: Oh, I didn't wear a tie, but – (laughter) – nobody joins the State Department to design foreign-assistance programs. They're trying to do a little better. But the State Department is a mess. And assuming a Cabinet level for development, you still have 50 percent, 60 percent, 40 percent of the foreign-assistance funding and implementation that is outside any coordinated effort. The F-process was an effort. So again, without taking a position on a Cabinet level, that only addresses half the problem.

And Steve, you were talking about a comprehensive approach. It might be a comprehensive approach to development, but that's only half of the concern. So I've raised this question before. I know I talked recently with George. He says, well, I don't know that stuff. We're dealing with this stuff. But I can tell you, I know the other stuff. And it's money; and it's programs; and it's U.S. profile, particularly the 1206 train and equip. And we have to get a handle on that. So I'm wondering if that was discussed. If it was discussed, what's the resolution and how can we move forward? Thank you.

LAEL BRAINARD: I think the ultimate goal here is to ensure that everything the American government does to bolster peace and security, stability around the world, is done better, done more effectively, done in a more coordinated way, and also done in a way that leverages the considerable energy and capabilities of the non-governmental actors that we have, which are really unparalleled anywhere else in the world.

The State Department is going to, under any circumstances, continue to be very involved in the foreign assistance programs that speak to our security. But if we had a more capable independent agency with re-professionalization, improvement in civilian operational capability, which has been deteriorating now over decades, they would be a much better partner to the State Department. The State Department would still have that government-to-government responsibility. It would still have the responsibility for defining priorities. But the civilian operational capability would more effectively pursue those in conjunction with non-governmental actors. And so I think it is a win-win. I think it makes the State Department more effective and it makes the United States more effective in its achieving its global goals.

MR. RADELET: Carol spent some time in the State Department. So Carol, do you want to add to that?

CAROL LANCASTER: Well, actually I spent some time – (off mike) – yes, both in the State Department and AID. So I am slightly schizophrenic here in many other ways. (Laughter.)

I think what Lael said is right. I would like to take it one or two steps further. This is a broad outline, what we have presented here and what you have in your hands. But there are pieces of it that we have thought about and that might address a little bit of what your question is. We don't just need the things that you mentioned, Paul. We need a national strategy. And that is one way of trying to create an umbrella in which these different pieces would operate. Not everything is going to be put into a new agency. There are just too many pieces out there, I think, for an initial step. And by the way, we need to take an initial step, whatever it is, in order to get to someplace better than where we are right now.

But I think a national strategy is really important. I think it is not only important for a coordinating mechanism but to help integrate the things that are being done. And that certainly doesn't exist right now. Whom do you ask about U.S. foreign aid in the U.S. government right now? There is no single place you can go. And there, to my knowledge, is no single document.

So it is very important, whatever we do, no matter how broad or how narrow, we create organizationally what lies in the future. We will still have to have an integrating mechanism, a coordinating mechanism of some kind. And we need to find out – we need to consider how we can make that work without the usual let's all go to a meeting and bore ourselves out of our minds. But we have to have something that has incentives in it that make it useful and attractive for people to collaborate.

I would just like to say one more thing, one more idea. You are right. The State Department is rightly always going to be involved in the foreign-assistance business because it is going to need resources to back up U.S. diplomacy. That is the nature of our leadership in the world. But if you note now, lots of those resources, while they may be decided and allocated on the base of foreign-policy considerations, lots of them are implemented with a development end in sight. You can't just pass on a check to most other governments and go away. The Congress wouldn't permit it and rightly so.

And so one of the things I think that one has to consider is should the State Department have a significant – or anyplace else – have a significant development or a significant aid facility, but not the professional staff to implement those resources in a responsible development way. That is another relationship that can be created with a Cabinet-level agency. So I think there is lots of opportunities to do this. It doesn't all have to be – the final package doesn't have to be the first package. But if we don't start, we won't get anywhere.

MR. RADELET: Thank you.

Q: Thank you. I'm Tish Butler, formerly with USAID, and currently with Booz Allen Hamilton. And the question I have is thinking back to '76, '77 with IDCA, and one of the several things – one of the several organizational flaws that scuttled the actual implementation of IDCA was the issue of the international financial institutions development activities not being incorporated into the IDCA portfolio. And I am

wondering if you, as a committee or as a group, have reached consensus in thinking about a development Cabinet-level agency, as to whether the development activities of the World Bank and the Breton Wood Institutions should or should not be included in that Cabinet-level portfolio.

GEORGE INGRAM: That is something that we have discussed. You will see that it is not in the paper. We haven't gotten that specific as to what all the elements are that should be brought into a Cabinet-level department. But clearly, that is one of the issues that needs to be discussed. One of the things that we have talked about is a shared responsibility and having a joint office between Treasury and the development agency, so that you bring in the Treasury expertise on finance and debt issues, but you have the development expertise of the development department.

MR. RADELET: Thanks, George. I'll add to that since I was at Treasury for a while, and so I have thought about this a little bit. I think there is a dilemma either way. I think where most of us would come down would probably be to move the MDB work into a new entity. The problem with that is that it would separate it from the work on the IMF that is at Treasury. But the benefit of it is that it would enjoin it more closely to our other development work. So it is not actually a clear-cut case. But I think most of us would be comfortable moving it into the new department, but that is one that could go either way and should be debated by the new administration and by Congress.

Q: I am Julie Howard from the Partnership to Cut Hunger and Poverty in Africa. I wanted to ask if the group had talked about food aid – food assistance, which is now in the, of course, the Farm Bill, and what would be the fate of food aid under this plan.

MR. BECKMANN: Again, we didn't – my own view is I'd like to bring as much of this as we can together. The other practical reason for being somewhat hesitant about saying what should come from Treasury or USDA is how many fights do you want to take on? I think it would make sense to put – to certainly to make a stronger link between food aid and the rest of development assistance.

And I mean, I think right now the world food crisis that both Gayle and Steve mentioned is just a clear case for why we need a stronger development function in the U.S. government. This thing is the biggest setback in the world's development efforts for 20 years. And the United States has been slow to respond. We are not strategic. We are not doing enough.

We are relying on the World Bank and the U.N. to do our thinking for us because there is no agency in the U.S. government that has the firepower to think about – really, this is – maybe a billion people have suffered a setback. Most of the world's poorest countries have suffered a setback. And our main response has been to increase our food aid budget a little bit. So it is a clear case, and it is going to be a continuing case. A year or two from now, we are still going to need a stronger capacity within the U.S. government to think and act strategically and to use the whole U.S. government apparatus to serve our development interests.

MS. SMITH: If I can just add a brief point of information. One of the other things we concluded is that, again, regardless of structure, that there also needs to be some mechanism for coordination out of the executive office of the president, most probably a combination of the NSC and the NEC, which Lael and I have experienced many times in the past. But right now there isn't anyone there who has a brief for this.

I served on the HELP commission, and we found a number of cases, for example, where we have got egregious policy incoherence that comes, again, not out of any deliberate effort but because there isn't any focal mechanism in the White House. So if that existed, that is something that with a national strategy, as Carol suggests, allows us, I think, even for those elements that may remain outside an agency to be fully coordinated and for there to be better coordination with other aspects of our foreign policy.

MR. RADELET: Ray, did you want to add to that?

RAYMOND OFFENHEISER: Oxfam is a practitioner agency. And we joined this coalition basically because we have been on the frontlines of development assistance seeing sort of the problems firsthand with the partner countries and the partner organizations that actually are dealing with U.S. foreign aid apparatus and sort of see the kind of incoherence that plays itself out in the field.

On the kind of broader question, I think David's point about the food aid issue is – I think it really drives home the point that the issue of poverty is intimately connected with the question of national security. What we are seeing in many of the countries where we are working is a situation where governments are having to dig deep into their foreign exchange accounts to pay high fuel prices and also pay to import food. And they are basically becoming – they are sliding backward instead of forward.

And the solutions to these kinds of problems are going to involve linking aid with trade and discussions, looking at energy policy questions, looking at our food aid policy. But we have to look at it in an integrated way. We cannot be looking at these things through sort of siloed approaches. And our approach so far has been very modest. It has been let's try to feed the people that are hungry.

But this is a large systemic problem that has got major structural implications that needs a big strategy think. And it is intimately linked to whether or not some of these states are actually going to survive political challenges that will be mounted by urban populations that are becoming very, very restive. We have seen food riots in many of the countries where this problem is playing itself out.

So if we don't – I think this is a case where we can really, really see with crystal clarity the national security and development linkage and how these things play out, and the need actually, for long-term solutions and investment in long-term institution building, particularly in the agricultural sector, where we have been dreadfully underinvested for the last, literally, 30 years.

Q: Hi, I'm Bill Ronkowski (ph) with Congressman Carnahan's office. And my question was actually directed at the congresswoman, but she left before I could go. (Laughter.) Maybe one of you could answer it. She mentioned that foreign aid would help to fight extremism. How could foreign assistance help in areas affected by Islamic extremism, where members tend to come from higher classes and not specifically hurting economically? Also, could the game plan for getting additional foreign-assistance funds be tied more closely to the war on terror and national security maybe to expedite the funding process?

MS. BRAINARD: I think our understanding of where extremism and insecurity comes from is very complex. But one thing that we are very clear about is that states that don't have the capacity to govern their own borders, that don't have the capacity to provide for the most basic needs of their populations are much more prone to groups that are looking for lawless territories to develop their capabilities. I think what we are clear about is that a lot of the problems in the world, whereas kind of people view them for the first time, they always ascribe them to ancient ethnic hatred, sort of, rearing their ugly heads again, you scratch the surface and you find a fight over resources during a period of drought or environmental degradation. You scratch the surface of extremism in so many places, and what do you find? You find burgeoning youth populations with no jobs to go to, no hopes of getting enough money to get married, essentially no hopes to move forward in society.

So what we have discovered is that a lot of these seemingly intractable political problems have deep and interrelated roots in poverty, in environmental degradation, in demographics. And our development assistance goes to the root causes of those things. That is why we think of this as Congresswoman Lowey said, this is the frontline. This is preventative diplomacy and defense. That is why we put so much stress on elevating development, which always seems to get lost in the shuffle when you are reacting as opposed to preventing.

DAVID BECKMANN: I would argue that whatever attractiveness Islamic extremism has is related to concerns about injustice, abuse, if you live in a place where a lot of people are – where a lot of kids are dying of neglect, there is a certain attraction to resistance to the current order. And the way to undercut any kind of credibility that extremists have is not to, in my judgment, is not to link our assistance to the war on terror, but to deal with the injustice.

So if it is clear that the most powerful nation in the world is serious about reducing the number of kids who die from hunger and that the current order is moving the world to a place where fewer kids die, where kids can go to school, where families have a chance in life, there won't be that sense of injustice that really is the breeding ground for deep unrest, whether it is Islamic or from other sources.

So if we do development right, if we focus the resources on reducing the kind of development that reduces poverty, that's the way to reduce, to undercut the war, you

know, to really deal with the war on terror. It's not if it looks like, oh, they're giving money to schools in order to undercut the madrassas, that is not the way to create a world in which extremists can't prosper.

MR. RADELET: Ray, do you want to add a comment?

MR. OFFENHEISER: Just a real-world example of how we could be doing this a lot better: Afghanistan is a critical country for this nation; we poured a lot of money into Afghanistan. We do not have a development strategy for Afghanistan. We have eight agencies working in Afghanistan on development-related activities that are not coordinating with one another. We're not getting the value that we could be getting in Afghanistan, which is a pivotal country for us.

And what we're after here is to kind of promote a discussion about getting a global strategy, but then beginning to look in country-specific contexts for how can we – what is the appropriate strategy for that country and how can we make sure that all of the tools that are at our disposal are being properly deployed, that they're coherent; they're consistent; and we're getting the money into the country as close to the ground as possible.

Other problems we see in Afghanistan is the fact that, you know, in some cases, one dramatic example is a story where we saw a grant made to an agency in Geneva that subcontracted to an agency in Washington that subcontracted to another NGO that subcontracted to a firm in Iran to deliver lumber for housing in Afghanistan. Each one of those four parties took 20-percent administrative overhead and then, ultimately, the timbers that arrived for the housing were too heavy for the housing and the housing collapsed.

This illustrates I think a critical point, which is we've got to get more – we've got to get a professional capacity in our aid-delivery agencies that brings the work closer to the ground, that is more sensitive to context, where we have language abilities, we have ability to analyze what's going on in a particular national setting, effectively. And what we really are trying to do with this new approach is be much more sensitive to, what does the customer want? What does the customer need? 21<sup>st</sup> century thinking about good organizational development is all about, what does the client want? How do you actually empower the people you're trying to help to be part and central to the process, give them agency?

Where we've seen effective development, what we've seen is effective states, active citizens, active citizenship with ownership over processes, and equitable markets. In Afghanistan, maybe just to close and to make the point more forcefully, there is a program called the National Solidarity Program in which the government is actually engaging communities in trying to lead their own economic-development processes. And what they're doing is actually giving communities the ability to build roads, to build electrical power plants, and so on and so forth based on sort of planning at their own level, in which case, you're getting the state playing the role it should play. You're

getting citizens actively involved in designing their own outcomes, better expenditure of money, and actually are getting market improvements, all at the same time. But we've got to drive the money closer to the ground and we're only going to do that with better strategy and more coherent delivery.

Q: My name is Charles Stephenson. My learning curve on some of these issues goes back to being a boy in England when care packages came to our house and the scrambled eggs were awfully good. (Laughter.)

Coming – my father brought the family to this country after the war and I picked up a little bit about international law from Jack Tate at Yale Law School and Miles McDougall (ph) and Harold Lasfal (ph), joining AID under Kennedy, serving in Washington, mostly as a deputy assistant general counsel on detail to the Senate Foreign Relations committee staff on point.

But the point I would like to offer, to inquire about, is whether the value-oriented contextual jurisprudence of the New Haven legal and policy types has – I'm sure it has really permeated the workings here. Through the American Bar Association, I offered it to the Homeland Security people. We got a nice letter back and later I could – I used to be called, by Atwood, the poet of AID because I wrote in blank verse because it was condensed. And so I would like to offer 10 or 12 pages of short letter for the committee if they would like it on how you – it's kind of a multifaceted decision tree for those who want to pick it up a little bit.

MS. SMITH: I think – we think that an independent Cabinet-level agency with a poet would be a fabulous idea. (Laughter.) And we'd be delighted to read your blank verse. Actually, also, if you could compose maybe a 10-line poem about why this reform is really critical, we would use it.

(Laughter.)

Q: And I didn't plan to do this here, but – (off mike, laughter). It goes like this – sorry.

Iowa in primary time, a cold coming, but worth the voyage.

In a caucus in Iowa, citizens debate face to face.

It was like this in Athens.

Arches span the Iowa River, distant in the midst of history as arches spanned Rome when citizens debated in the forum.

It was cold in Iowa when I was there, as it may have been in Iceland or halfway to it when the kin of the Vikings invented the jury system, men talking with men about the fate of another.

It was cold in Valley Forge, though warm in Philadelphia when they forged a country's future with a bow to Athens and a bow to Rome.

They followed the models of Greece and Rome when they made the United Nations, a democratic general assembly and a republican Security Council working together for peace, if possible.

But it all began in Athens and it hasn't yet ended in Iowa.

(Applause.)

Q: Well, that's hard to follow. It's certainly not cold here. Thank you. Thank you for your leadership. My name is Joan Lombardi (ph); I'm at the Public Policy Institute in Georgetown and spent several years at the Administration for Children and Families in HHS. My question and comment is about the priority that we can give to children's issues in the development-assistance world.

What I think we need to consider is how the world of children has changed since 1961 and think about the new directions for development assistance based on those changes: what disasters they face, the wars they face, the fact that 200 million children survive in their early years and still do not have the health care and the education and, secondly, that the "development" word also means child and youth development. And we need a developmental perspective on children's issues which brings together education, health, and social protection.

And we're not doing that. We encourage countries to do that, but we don't do that in our own development assistance. So I guess my question to you is, can you help us bring new attention to children's issues in this process and consider those two points? Thank you.

MR. INGRAM: Joan, nice to see you. Those are the types of issues, particularly children, that we would expect that a new bargain between the Congress and the executive branch and civil society would bring to the fore. We purposely, in this document, have avoided being that prescriptive because we think it's very important for the principles to sit down and figure out what the elements and the priorities are. But I'll be there advocating for it.

Q: I am Barbara Pillsbury (ph). I was with USAID during the Carter administration, currently with Medical Service Corporation International. And I must say that while thanking you for your excellent presentations and perspectives, many of the values and principles that you've been talking about that should drive this all are very much those that those of us who worked for AID back in the Carter administration, when policy was basic human needs, it all sounds very familiar.

Two questions. As you talk about a Cabinet-level position to head up the new development foreign assistance, would that individual then be bringing together the resources that are now spread out among the 20 different agencies that you spoke of, Steve, the five – I think it's one-fifth of all foreign assistance is now going through the Department of Defense. So would those funds be rounded up under – in a new agency or



in an agency under this Cabinet-level position or would that person be responsible for coordinating the budgets that are still within those 20 different agencies?

A second question I'd like to tag on – over the years, we know that when the American public has been polled about how much money they think should go into foreign assistance, they usually say, well, probably, it's about 10 or 15 percent now and that's way too much. It should only be maybe 5 percent or lower. And we know that what goes in is even much less than that. So, given that congresspeople are influenced by what their constituents think, have you been thinking about how the American public could be brought along for larger funding?

MS. LANCASTER: Yes, well, you stay around this town long enough, you will have served in the Carter administration, as I did as well. I didn't go back to Roosevelt, though. (Laughter.)

In any case, your question is interesting. We, I think, in this brief document, have not dealt with every single detail of what would be in and what would be out. Our concept is – I think it would be fair to say we would like to see the maximum amount of what is now foreign aid for development in this new Cabinet-level agency, which also would have expertise in other policies involving development, such as trade and finance and debt and so on.

However, what those details are would have to be worked out. But I think, again, no matter what the final look of this entity would be, there would still be a need for a national strategy. There would still be a need for coordination among programs because ultimately, things do overlap; some things are going to stay in one place, some things are going to stay in another. But I think our concept is that we will be able to create maximum effectiveness, maximum synergies, and an elevation of development if we can put them in a Cabinet-level agency.

I can tell you, from my own experience as a deputy administrator in USAID in the Clinton administration, that the old Washington game of cutting everybody out of the meetings you can is a lot easier to do if you're not dealing with a Cabinet-level agency. And that's just a very small thing, but it makes a huge difference as to what the United States does. So we're going to have to have coordination but we want to have, I think, the maximum amount of consolidation of these kinds of programs for this increasingly important issue.

Now, on the public – there may be others at this table who want to talk about that, but I would just say one thing, that I think I have followed the public opinion polls going way back when and yes, the public, the American public – and not just the American public; this happens in other countries – have been a little bit confused about how much of their tax dollars are going into foreign aid. We know that it's less than 1 percent and they have tended, many, to think it's 10 or 15 percent, but they would accept 5 percent, which is a good sign, I suppose.

But one of the things, I think, that is important is that we may be living in a new era now. I think, for better or for worse, 9/11 made the American public a lot more aware of the world out there and how it can affect us. And I think, probably, a lot more willing to take another look at these programs, of course provided that they are effective, which is kind of what we're after in any case. So I think we have a lot of opportunity as well as a lot of work to do in this area, but I'll leave others to talk about that.

MR. RADELET: David, can you comment on that second question?

MR. BECKMANN: The public attitudes are very favorable; they've changed, especially since 9/11. And so people want to – in fact, Congress and the president have been responsive. We've way more than doubled part of our foreign-assistance budget that goes to development. We ought to be doing more; the public wants to do more, especially if you talk about specific things like investing in the productivity of African farmers. And if it's specific and people have a sense that it's going to be well-managed and not wasted, that it's going to increase the self-reliance of people, those are very popular programs.

In one of the polls we did, we learned that the average American thinks that only 10 percent of foreign assistance gets to the people for whom it's intended. You know, I think that's a gross exaggeration of the inefficiencies of foreign assistance, but what's striking is that even though most Americans think most foreign assistance is wasted, they are ready to spend more on it because they so much want to get the girls into school and help the farmers be more productive. And so what we're doing here to make our foreign assistance program more effective, to elevate the things that Americans really care about, development is crucial to continued increases in funding.

MS. SMITH: I just want to add a quick thing because I think there's something about this moment that allows us to move ahead which is truly different. I didn't serve in the Carter administration; I did serve in the Clinton administration, and we didn't have this then. And that is a constituency which is large, growing larger, and is very diverse. And people come at it from different angles and perspectives but there are many in the private sector, for example, who are very supportive of our doing more on development. The public in general, millions of people, have signed up to campaigns run by many of the people in this room; they may be driven by a quest for social justice, by faith, by interest in the rest of the world, whatever it may be, but there are millions there.

There is growing recognition, as others on the panel have said, of those in the national security sphere that we need to do more on the development track for security reasons. So I think that while there still is some confusion out there – and as David points out, there are some perceptions that we need to address head-on in order to really enlist the full public support we need – the opportunity we have right now is that there is more interest than I think any of us has ever seen. And collectively, we've probably been working on this for a couple of centuries.

(Laughter.)

Q: Thank you. My name is Dick Cornelius. I'm a former career officer at USAID and now working as a consultant with Medical Service Corporation International and others.

My question is on two issues, critical issues I think, for any attempt to rebuild our foreign aid infrastructure. One was mentioned earlier and that is the re-professionalization of the workforce. Over the last decade or two, USAID has become more and more an agency of contractor personnel without the institutional memory and frankly, the career devotion to foreign aid that maybe direct-hire folks might have. But how can we – in addition to throwing money at it, what thoughts have you had about developing a – the need to develop a coherent workforce assessment that would guide hiring for a new agency?

The second question is maybe even tougher and that is the whole issue of the lack of flexibility that the agency has had, in terms of how it spends its money. We are beset at USAID with earmarks and directives, and while in some cases they work in favor of issues that some of us care about, in other cases it removes any opportunity to respond in a strategic way to new initiatives or new issues that are coming up. So your thoughts on how we can create a level of trust, I guess, between the legislative and executive branch that might eventually reduce the extent to which we're earmarked.

MR. INGRAM: The answer to both of your questions comes from the grand bargain that needs to be struck. AID, our development capacity, clearly is understaffed from the perspective of the numbers of people that work in AID and the lack of ongoing training.

Once you reach a grand bargain, and the Congress and the executive branch come together on the purposes, you need a human resource strategy on numbers in tights. And I have recently come to the opinion that one of the problems with our current human resource process is it doesn't account for the fact that people don't work for the same company all their lives anymore. It doesn't account for the fact that Foreign Service Officers work overseas for 10 or 15 years, their children become teenagers, they want to become to school in the United States; they need to be back here for six or eight or 10 years. It doesn't account for the fact that many Americans today, at age 45 or 50, have had a very successful career in one area and suddenly want a new challenge, a new adventure, are willing to devote their capacities to the U.S. government, to public policy. So I don't have the personnel system in my head, but I know that there are a lot of fundamental changes that need to be undertaken.

Similarly, providing the flexibility that is needed for carrying out assistance effectively starts with that grand bargain. So you have the Congress and the executive branch in agreement on what the fundamental purposes and elements of foreign assistance are, and there's a level of trust that they're both moving in the same direction. Once you get that, then you can start convincing the Congress to ease up on some of the restrictions, on some of the earmarks, and find other ways, other mechanisms, to make

sure that those congressional priorities are represented, reflected, in the assistance programs.

MS. BRAINARD: Well, this is an area of critical importance. There's a kind of vicious cycle going on right now, which is – USAID in particular, but more generally civilian operational capacity is just crashing. Some more things moved to the military by default rather than by design, so there's less rationale for beefing up civilian operational capacity, so more things move over to the military. The military doesn't particularly want these things; they're not equipped for these missions. And so we have the paradox that we have our Defense secretary saying having robust civilian capabilities available could make it less likely military force will have to be used.

So there's this clear interdependence and recognized interdependence, but at the same time what have we seen? We've seen, since the 1990s, a reduction in professional USAID staff by a third. We've also seen during that time an enormous increase in programming so that, on average, aid disbursement per staff member has grown by 46 percent. What does that mean? You're further and further removed from the actual problems on the ground. At the time when the premium, I think, is greater than ever on technical capacity and technical expertise, 55 percent of USAID personnel are in generalist areas and there's an argument as to whether there's five or three engineers on all of USAID staff right now. And we also know that about a third of USAID's most seasoned staff are eligible for retirement.

So here we are. We're in a moment in history where we are all convinced that the challenges are more important than ever, the possibility of success is greater than ever, there is more public support than ever before, and yet we are essentially deconstructing the capacity in the U.S. government.

The only other thing I'll say is there is a connection between elevating development to a Cabinet level within the U.S. government and being able to recruit and retain the most talented people in the U.S. workforce against this mission. We saw it happen in the U.K.; we could see it happen here in the U.S.

MR. RADELET: (Off mike.)

Q: I wanted to add a few words on this issue of flexibility, the grand bargain, Congress and the executive branch.

I think when we get down to it, it's not constructive when we lead with a discussion about congressional earmarks and directives. This is a cross-branch problem, equally as difficult to deal with for our development agencies are presidential initiatives, which also impose directives from Washington that may or may not be the best thing. And it certainly does, combined with earmarks and directives, undermines flexibility of those professionals on the ground.

George hit it on the head: It needs to be a relationship built on trust and respect for the operations and authorities of each branch. Congress has a role to play. They have the responsibility to their constituents; they are elected officials. They have the right to express their priorities. Equally, the executive branch needs additional flexibility and I think there's strong consensus around that.

How do you get started in that process which – you know, in my career I've seen have its ups and downs but some pretty difficult downsides. I think one way the executive branch, when Congress has acted on a budget and identified a few areas that they saw resource deficiencies and increased resources, that the executive branch doesn't turn around and go right back to what they proposed the year before. They recognize that Congress has identified a priority and this is due respect.

I think on the congressional side, there can be recognition of greater flexibility granted to the executive branch and consideration of careful contingency funds might be in order. I know that's a heresy, but it's part of that trust. Eliminating the operating expense account of USAID and folding that money into an overall program basis would be another extension of trust from the legislative branch. Those are starts; it's going to take a process. This is an issue that goes back 30 or more years on earmarking, but it's time to start healing that process. And I think with a new administration and a new Congress, we have that opportunity.

MR. RADELET: (Off mike.)

Q: Thank you very much. I'm Don Sherkin (sp). I'm currently on the faculty of SAIS. But like Steve, I was with the Treasury Department for a long time.

I've been very pleased with the committee's work so far, but what you've heard from the audience, I think, would suggest that you add two more years on to your mandate to cover all the important subjects. One of those subjects which hasn't been touched on, but I feel very strongly about, is how America works with its allies to present a common face for development. If you ask most other OECD countries what America thinks about their own agenda in aid, they will say – they'll look you in the face and they'll say America doesn't give a damn what we think we should do with our aid program. That's a system that has to be put right and that means learning how to work with our allies to be able to have a coordinated approach. Thank you.

MR. OFFENHEISER: Well, I think what we see in the most constructive cases is situations where donors are gathering together in donor consortia around different projects on the ground and different major initiatives, in particular countries. And in some sense, having to go through a process of thinking about can we all agree on a common set of reporting metrics, can we actually work together to kind of look at this as an initiative that we're all working to support together, without necessarily imposing everyone's particular home office criteria and home office expectations.

And where that has worked on the ground I think we see the most progress and the most impact. Where I think we see the most difficulty and, I think, the most critique of our own programs is when we have multiple missions and multiple reporting arrangements. And the U.S., I think the reputation that we see of U.S. on the ground currently is that it is perhaps the most burdensome and most problematic aid agency to deal with. And that's, I think, probably a pretty universally accepted way of viewing things whereas the U.K., which went through a dramatic reform process itself that was, I don't think, any less painful than what we're proposing, is come out on the other side of it in a very good place reputationally around the world, and is doing the kind of collaboration that I think you are suggesting with its allies and with its colleague institutions.

MS. LANCASTER: Yeah, it's a good question. Just let me say that it has not been our tradition to engage, either at the policy level or in the field, as closely with our allies as you are suggesting is desirable. So that when there is a Paris declaration on aid effectiveness it's there, it's not here.

Now, there are probably a lot of reasons for that but one thing, it seems to me, is pretty sure, that A, as long as we have the fragmented system we have it's very hard to engage with anybody. Who engages? Who goes to the meetings? Is it the head of the MCC or is it the head of USAID, or is it going to be the person in charge of PEPFAR who's going to have all the bilateral money quite soon? So the fragmentation that we face right now, it seems to me, exacerbates that problem.

The second thing is that one way to begin to deal with it, within the constraints that we live in because we live in a different political system from the Brits and others, is to rethink this business. And I think what we're proposing would give us an opportunity not just to rethink the organizational system, but to rethink the modus operandi of our engagement in aid issues and our staff, and our processes and so on. It can't be done piecemeal. Remember, this is not just about USAID, it's about a much bigger panoply of organizations and some of them have a great deal of money. And it seems to me what we're proposing here is probably the only sensible way to engage these big issues and engage them effectively.

MS. BRAINARD: Your point is a very important one. It is the case, I think, that we tackle deprivation and social injustice because it's the right thing to do. But when we do these things, it does more than make Americans feel good. It has the potential to make the world feel good about America. But in order to achieve that, we have to worry not just what we're doing, but how we're doing it and who's doing it. And as long as that who is wearing a military uniform or is the secretary of State, who has a whole other agenda in the U.N., on Iraq, or whatever else it is, it's going to be very hard for Americans to be perceived as doing exactly what they're trying to do: Do the right thing in some of these most vulnerable parts of the world.

MR. BECKMANN: Well, the document says what you said, that we should do a better job of cooperating with other governments. And especially, it notes that we should

do a better job cooperating with the governments of the countries that we're trying to help and with low-income communities in those countries. If we elevate the priority that we're giving to development I think that will lead us to be more responsive to the communities and the countries we're trying to help, and to let them then lead a coordinated process of people from all over the world who want to help out.

MR. RADELET: Great. Last word to Gayle?

MS. SMITH: Listening to all these comments, I'm struck by a number of things and it's one of the places that we've started, which is that our argument is that development needs to be seen as part and parcel of our foreign policy. And by that, I don't mean, and I don't think any of us means, subverting it to the war on terror or making sure we've got a big checkbook to follow our foreign policy imperatives, but understanding that global investments in development pay significant returns on our security; as a nation on our collective security and also, as others have pointed out, on our ability to lead from the basis of a moral foundation.

And if you look at the U.K. example, which is one that is also often invoked in making the case for an independent agency, how did that happen? When Tony Blair's government came into power they looked around the world and said, all right, what are the challenges we face. One of the things that was crosscutting in nearly everything they looked at was poverty. They looked at what a strategy needed to be to deal with poverty, and they concluded that they needed a new agency to deal with it because it's a specific set of strategies, different and distinct from defense or diplomacy but compatible with those.

So I think our starting point here, and the one recommendation that we make that, I think, links most if not all of the questions we've heard, is the need for national consensus on a national strategy. We don't have a development policy. We spend billions of dollars every year on development and we have no policy. So if we can forge that national strategy and have consensus between the Congress and the executive branch, do it in a transparent and open way so that Americans who are concerned about this can participate and Americans who don't know about this can be educated about it, that gives us the foundation for being as effective as we can be on the ground, and then figuring out the host of other things that need to be put in place to make it all work.

So with that as just a small mission at a time when there's nothing else on our national plates, and on behalf of the whole network, we would like to thank you all very much for coming. We will have other things coming out but also, as Steve said, encourage you to join us, share your ideas and your thoughts. And it's our hope that working together we can really give development the placement it needs to have. Thank you.

MR. RADELET: And a special thanks – (applause) – special thanks to Heather Haines (sp) and her comrade Sarah-Jane Statts (sp) for organizing this event, and getting this space for us; special thanks to their hard work.

(Applause.)

(END)