

**TESTIMONY OF
LAEL BRAINARD
SUBCOMMITTEE ON INTERNATIONAL DEVELOPMENT
AND FOREIGN ASSISTANCE, ECONOMIC AFFAIRS,
AND INTERNATIONAL ENVIRONMENTAL PROTECTION
COMMITTEE ON FOREIGN RELATIONS
U.S. SENATE**

Foreign Assistance Reform: Successes, Failures, and Next Steps

Question for the Record from Senator Lugar:

New Institutions

Why were new institutions created, such as the Millennium Challenge Corporation and the President's Emergency Plan for AIDS Relief, to address global challenges rather than utilizing the U.S. Agency for International Development? Are those concerns still relevant?

Answer for the Record from Dr. Lael Brainard:

In the case of the Millennium Challenge Corporation (MCC) and the President's Emergency Plan for AIDS Relief (PEPFAR), the administration decided, after extensive internal deliberations, to create new institutions rather than making such initiatives part of the U.S. Agency for International Development.

The rationale underlying the decision to create the MCC as an independent agency governed by its own board was based on the sense that the delivery of Millennium Challenge Account (MCA) funds should be "freed from bureaucratic inertia, should be sufficiently independent from political interference that funds are invested in meritorious recipients and not on the basis of foreign policy considerations, and should be allowed sufficient flexibility by Congress to operate expeditiously."¹ While at the time we agreed strongly with these objectives, a group of experts and I concluded that "the existence of two U.S. government agencies devoted to providing development assistance would appear to violate all the tenets of efficient, effective government (and common sense)."² We instead recommended that the MCC be placed within USAID and that the overall entity be given greater independence and stature. We noted that the integration of MCA with USAID would reduce costs and boost effectiveness because it would prompt the sharing of infrastructure and professional expertise while also leading to greater coherence across the spectrum of development programming. This integrated alternative was also attractive because it would strengthen rather than weaken U.S. capability to speak with one voice to development partners. The potential existed to integrate the MCA with USAID while legislatively ensuring independence, flexibility, and an innovative approach. Under this alternative, the Chief Executive Officer of the MCC

¹ Lael Brainard, Carol Graham, Nigel Purvis, Steve Radelet, and Gayle Smith, *The Other War: Global Poverty and the Millennium Challenge Account*, Brookings Press, 2003, p. 128.

² IBID.

would serve as a Deputy Administrator at USAID and lessons learned from mainstreaming best practices into the MCC endeavor would more easily and directly translate to improvements at USAID.

The decision to have a U.S. global AIDS coordinator run PEPFAR out of a newly created bureau at the State Department was based on a desire for domestic and international audiences to view the program as a bold appendage of U.S. foreign policy and a notion that this position would allow the coordinator to be a broker between USAID and the Department of Health and Human Services. This approach stemmed from the perspective that the larger post-9/11 context of U.S. projection of power required a balance to military initiatives, but it did not take into account the weaknesses of the State Department as an operational agency.³ The fact that the Office of the Global AIDS Coordinator (OGAC) was created apart from our primary agency for international development and its global health infrastructure served to highlight the difference in approach between OGAC's treatment oriented programming and the overwhelmingly prevention oriented programs already under implementation by USAID and Centers for Disease Control. Several of the same problems posed by the placement of the MCC – incoherence, the challenges of transferring innovation-based lessons learned, and a weakened U.S. capability to speak with one voice on development issues – were further compounded by the establishment of OGAC at the State Department.

The administration intentionally set MCC apart, heeding concerns that MCA funds should be provided on the basis of performance and not political calculus, but it tied PEPFAR to the established U.S. foreign policy structure. The original concerns about maintaining development assistance independent from political interference and shorter-term foreign policy considerations are still valid. Such concerns justify a separation from direct State Department control for both MCC and USAID. This argument further compels us to reconsider the institutional placement of OGAC. Also still relevant are the concerns about the cumbersome and outmoded bureaucracy of USAID, with its excessive regulations and requirements, which led to an aversion to integrate new initiatives within an agency that would otherwise be best-suited for the job. Although such concerns are still relevant, they should lead to a different path. The administration avoided the considerable investment necessary to fundamentally reform our development assistance capabilities – a daunting task our government must now confront. In the short-term such a fragmented approach may have resulted in more rapid programmatic change, but it has served to further weaken our overall foreign assistance infrastructure and posture.

³ In his chapter, “What Role for U.S. Assistance in the Fight against Global HIV/AIDS?” in Lael Brainard, ed. *Security by Other Means: Foreign Assistance, Global Poverty, and American Leadership* (Brookings, 2007), J. Stephen Morrison makes these arguments and notes that PEPFAR's institutional home failed to deliver some anticipated advantages.