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THE BROOKINGS INSTITUTION

U.S. FOREIGN AID:

THE NEED FOR FUNDAMENTAL REFORM

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Opening Remarks:

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18th District of New York

CONGRESSMAN FRANK R. WOLF
10th District of Virginia

Remarks:

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Chair, HELP Commission

GAYLE E. SMITH
Member, HELP Commission

Moderator:

GEORGE INGRAM
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President, U.S. Global Leadership Campaign

Panelists:

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P R O C E E D I N G S

DR. BRAINARD: Thanks everybody for making it out this morning. I think this session could not come at a more important time. This is a very pivotal moment for shaping how America engages with the world and also provides an opportunity for America to show more compassion and a cooperative face to the world.

Foreign assistance comes right at the center, I think, of that agenda. When it is designed and executed well, foreign assistance is not just soft power, but it is smart power. It works to advance our national security, but also our national interests and our national values.

I think most of us who have looked very hard at this would suggest today our foreign assistance structure probably is not optimized to serve that objective, and so today we are here to talk about some of the initial diagnosis of the HELP Commission, the U.S. Commission on Helping to Enhance the Livelihood of People around the Globe, which was first put in motion by Congressman Frank Wolf and is now chaired by

Mary Bush, and we also have Gayle Smith from the Committee to talk about it. At the same time, the appropriations process for 2008 is very much underway. I think everybody is very focused on that and we are also very lucky to have Congresswoman Nita Lowey who is at the center of that.

As Chairwoman of the House Appropriations Subcommittee that provides foreign aid and funds foreign affairs operations, Congresswoman Lowey is playing a critical role in shaping that instrument. She is an indispensable leader in the field. We have heard -- on numerous occasions -- her voice strong support for a national security framework that has all three pieces robustly funded: development, diplomacy, and defense, and she has proved, I think, instrumental in supporting rebuilding efforts in Afghanistan and Iraq, in combating HIV/AIDS, and also in supporting our agenda on education for children and the empowerment of women.

Congressman Wolf is the senior Republican of the State and Foreign Operations Subcommittee and has

been an essential voice in calling for effective delivery of foreign aid. He is one of the leading voices in Congress on Sudan, having traveled there numerous times and consistently pushing for a resolution of the crisis in Darfur. He has deep commitment to poverty alleviation. I believe this is what led him initially in 2003 to establish the HELP Commission Act, and we are getting our very first opportunity today to hear where that process is leading.

I would now like to turn the podium over to Congressman Lowey for her remarks, followed by Congressman Wolf. Thank you.

(Applause)

REPRESENTATIVE LOWEY: Thank you for that very kind introduction, Lael, and it is a pleasure for me to be here with this distinguished panel and distinguished audience, and of course my good distinguished friend Frank Wolf. It is always a pleasure. You certainly have some very well-qualified

people here today to talk about what has worked, what has not worked, and what reform should look like.

The fact that reform of our foreign aid apparatus is necessary is certainly without dispute. That has been without dispute for a very long time and there have been many reiterations of what we should do about it. But even if the system had worked perfectly, the tremendous changes in what is expected of our foreign assistance programs, post-September 11, would in and of itself require us to reexamine our assistance programs. But the fact is, our foreign assistance infrastructure has been in a state of decline for some time now. Let me be up front. Congress certainly is partly to blame. Many have been unwilling to invest the necessary resources to build a robust institution to manage these programs.

We as a nation, and Congress is reflective of this, have understood well the need for a robust national defense. However, as has often been said but seldom understood, our diplomatic and development programs are the first line of defense, and I am not

just speaking of counterterrorism programs, but in a highly interconnected world, the threats from disease and poverty are no longer confined to distant shores, and our wellbeing is very much connected to that of the rest of the world. So in this interconnected world that is imperative that we that we have a diplomatic and foreign aid infrastructure that can effectively manage our nation's interests, engage with our friends and foes, and juggle the myriad priorities of our nation in a complex and ever-changing environment.

The current administration has undertaken a reform of sorts, though it is neither, in my judgment, as comprehensive nor effective as I had hoped. It has managed to make some important beginnings, but it remains to seen if at this late stage in the life of this administration the reform will be complete or lasting.

In the category of changes for the better, I think we are finally putting in place a system for capturing the totality of what we are doing in a given

country or category, and certainly in my judgment this is progress. For too long, too many disparate entities were given responsibility for dispersing funds without being accountable for how it was spent or what was achieved. Congress and the American taxpayer had no real sense of where money was being spent and what was being accomplished. Sure, we have always had anecdotal information of the good work that is being done around the world but have been unable to capture these accomplishments within an overall framework of objectives and outcomes.

I think the current F Process seeks to have a more coherent and transparent accounting of program funds. However, since this year, the process itself was neither transparent nor inclusive, and it was too centralized. I understand that there are efforts to remedy this and as we discuss what good reform will look like, I believe the focus on meeting objectives and measuring outcomes must be front and center. Additionally, the F Process does not address some larger issues. It is nowhere near comprehensive, nor

does it tackle the increasing share of foreign aid dollars programmed by other agencies. Therefore, coordination and coherence are not optimized.

Foreign aid reform must also take into account a crumbling infrastructure and lack of adequate staff at USAID. We just cannot be the world's leading developing agency without cultivating and maintaining the world's leading development staff. And I must say personally wherever I have been in the last years in this capacity or as Ranking Member I continue to be impressed with the quality of our AID staff around the world and the commitment and the passion that they have shown in the work that they are doing.

Finally, there has been much debate on whether there should be a separate cabinet agency to administer our foreign assistance programs. While this is an interesting debate, ultimately what is important is whether our foreign assistance programs are closely coordinated with our diplomatic efforts. The Secretary of State and our ambassadors in the

field are responsible for our foreign policy, and our aid programs are a vital component of that foreign policy. What is important is whether there is a coherent strategy that encompasses all aspects of aid, whether there is effective coordination, whether we have the right people in the field, and in Washington, with the right expertise to make decisions, set policy, and manage these programs to maximum impact.

With that in mind, I think we can all agree that we have a long way to go. I frankly look forward to hearing the outcome of this discussion. I apologize in advance that a schedule with which you are all familiar precludes me from staying for the whole forum, but I look forward to gathering from you all your collective wisdom and working together with my good friend and colleague Frank Wolf in implementing some of the recommendations. Again, thank you so much for giving me the opportunity to speak today.

(Applause)

REPRESENTATIVE WOLF: Good morning. It is good to be here with my Chairwoman Nita Lowey and good friend, and I think that maybe that gives me one thought. I think one of the advantages and strong points of the Iraq Study Group was there was no partisanship between all 10 of the members who served, and I think that ought to be a model for this commission that this not be a political or partisan operation but whereby people of different political parties can come together, the same way that Nita Lowey and I have worked together and like one another.

Secondly, nothing here leads to any criticism of any of the people who are at AID now or who have been at AID who have given their lives to this. But it is like anything else, there has to be a renewal, a change, a constant looking to see how can we be, and as Nita said after 9/11, how can we make sure that whatever we are doing as stewards of the taxpayers' money ought to be done appropriately to do what really ought to be done. My own belief, speaking personally, and this is almost like in Matthew 25,

Jesus talks about feeding the poor, the hungry, the naked, and all those things that would kind of develop with regard to development and family and things like this, how do you do this. Secondly, how do you do it in a way that can truly, in a sincere way, get the United States government involved whereby the credibility of our government particularly, as Nita said after 9/11, can be enhanced as we fight radical Islam and terrorism around the world, what can we honestly do.

Two things stick out in my mind. I led the first delegation to Afghanistan after the war broke out with Tony Hall and Joe Pitts. We were in a feeding camp and we saw all these bags of food from AID and also from, or maybe not from AID, from the American taxpayer, and then the bags from Japan. The Japanese bags had Japanese flags, there was no question where this food was coming from, and I said why can't we have something like that, because what I saw was -- and the inference was that we may offend these people and we just do not want to offend. That

is not offensive. That is positive to demonstrate the goodwill of the American people and what they are doing.

Secondly, in one place nearby there was an NGO taking your money, taxpayer money, but they did not want to be identified with the government, with AID. It was like if you get identified with the U.S. government and AID, it was going to tarnish your reputation. The money was coming from the government. It was coming from the taxpayer. If Nita Lowey gave me a bag of M&Ms and you came to my office and I gave them to you, wouldn't I be morally obligated to say Nita really gave these to me?

(Laughter)

REPRESENTATIVE WOLF: So those two things; and how do you really make this effective and yet do it, as Nita said, in the modern times of 9/11.

We asked the commission to be very bold. I said some good columnist ought to write a story; when this town was arguing with one another, dividing, attacking, criticizing, condemning, and complaining,

there was a group of individuals meeting 2 days a month most faithfully; the attendance was very high, and sitting together to see what we can do to help the poor and the naked and also help the credibility of the United States.

So I am hoping and I believe now when we asked them to be bold and radical and also careful because I think personally, and again I am speaking only for myself, when USIA was collapsed into the State Department I think it did not work well. It was not a good thing. It was a failure. The morale went down. So how do you do it? But also to be very bold in the sense that this can be so imaginative with people saying that makes sense and then hopefully Congress can come together not to argue that the answer to all of these problems is just spend more money or the answer is to cut the programs, but the answer is to spend more money in a very good way to really make sure that we are helping the people and doing what we want do to help the people, but also

doing it in a way that fosters and generates the goodwill of the United States.

I appreciate the good work that the commission is going to do, and I also appreciate again so it does not look like we are going and criticizing the past, really the good work, and I want to share what Nita said, every time you go out in the field and you meet the AID people, they are good people who have been away from their families and who have been living in pretty tough conditions and so not criticism, but to thank them for the good work and move on into the 21st century. So thank you very much.

(Applause)

DR. BRAINARD: I just wanted to briefly introduce Mary Bush who is the Chairwoman of the HELP Commission, and President of Bush International which is very active globally in financing and consulting. She has served three presidents as the U.S. government's representative on the International Monetary Fund Board, head of the Federal Home Loan Bank System, and Board Member of Sallie Mae, and she

was most recently appointed by President Bush to this important task. I can say from my experiences going to some of the commission meetings, I have been very impressed by the work of the commission, the seriousness with which they have taken their task, with her leadership bringing a group of very disparate commissioners together to focus like a laser beam on what is not working and how do we make it work. So it is a pleasure to introduce her today.

(Applause)

MS. BUSH: Thank you very much, Lael, for that very kind introduction for me and for the commission. I want to thank Congressman Wolf especially for putting this commission together and for giving us a chance to focus on what is a very, very critical policy issue for the United States, but also an issue that has been an enduring challenge to the developing world. I think Congresswoman Lowey has left us, but I do want to thank her as well. There are many commissioners who admire her commitment to development and particularly her strong interest and

commitment to education both here and in the developing world. And Lael, thank you also for bringing this gathering together, you and Brookings, for doing that for us.

I would like to ask you now to try to imagine with me a different world. I want you to imagine a world where the 1 billion people who still live in extreme poverty, referred to by Paul Collier as the “bottom billion”, imagine if they were instead healthy and prosperous and educated. How many of our loved ones would still be alive because an African medical researcher was empowered by education to find a cure for diseases from which we suffer? Which new company would take the business world by storm because a Haitian entrepreneur found a new product, found out what was missing, and made that product and brought it to market and then employed thousands of people? What paintings and music and literature will define this generation because an artist has the freedom to cultivate his creativity? I know as do you that this bottom billion is an enormous untapped resource of

bright, imaginative, and talented individuals and that this segment of humanity remains trapped in poverty is really a waste of the most precious resource on earth, and that is human intelligence and human creativity.

In much of Sub-Saharan Africa, Central Asia, and other regions of the world, statistics tell us the story, and I will cite some from Bill Easterly's book "White Man's Burden." Easterly said that each year 8 million people die from poverty-related conditions, each day 800 million people do not have enough to eat, at least half of the adult population in 23 countries is illiterate, and more than 100 million primary aged school children have no schools to attend, 1 in 10 children dies before the age of 5 in 35 countries. These numbers tell us that in the six decades since President Truman launched a program to address poverty and underdevelopment overseas, we have not accomplished the mission that we set out for ourselves.

Congressman Wolf asked the commission the following question. He said, “Why is it that after

the United States and the developed world have spent billions over the years on foreign systems, why is it that there are still so many people living in poverty?" So we asked ourselves and we asked all of you what needs to change. Here is some of our thinking.

First we must recognize that U.S. foreign assistance alone cannot succeed in transforming a country. We know that countries that are way behind on the development scale can enjoy significant and sometimes very rapid development even in just a generation. Witness for instance the development of Korea, Chile, Ireland, Estonia, and many others. These nations progressed in their development not only because of foreign assistance. They turned themselves around primarily because of the determination of their people and the leadership of their governments. They have to be the prime actors. However, there is much that we can do and much that we must do.

We can start by recognizing that foreign assistance must be premised on a true partnership with

the developing country and that genuine country ownership is one of the essential elements in sustained development. In other words, the elements of development for a country are not for us to dictate. Instead, there must be a commitment by our government, by America, to work hand in hand with our developing country partners to determine how we can best support our partner country's needs and priorities.

The second thing that we have to recognize is that many of the tools to promote change are not only in the hands of the U.S. government, they are also in the hands of private enterprise, foundations, NGOs, and citizens in America and in our partner countries. Like any smart organization, America needs to play to the strengths of each of these major actors and we need to be open to combining our expertise and our resources in ways that can produce larger and more lasting improvement for our partner countries. Third, we need our country strategically committed to the role of development in world affairs.

After the Second World War, as you know, we knew that the reconstruction of Europe was a top priority for America. The world needed strong, stable, prosperous, democratic societies in Europe and we acted accordingly. Today we have to recognize that we have the same interest in the developing world and that the development of the developing world is very much linked to America's wellbeing and to a more peaceful world.

Fourth, foreign assistance needs to be part of the effort to support development. However, other things are critical as well; diplomacy is critical, conflict resolution, trade policy, and other tools. So these must be, in the view of the commission, an integrated, coherent part of the campaign to help other countries along the road to development.

Number five, we must put at the center of our development effort the goal of profound and lasting improvement in the lives of people who live in poverty. The developing world as I know you know is littered with abandoned projects that were created at

great expense until the donor agency lost interest or moved on to the next strategy. If we are to help engender lasting change in the lives of the poor, if we are truly to help those in poverty have opportunities for greater prosperity, then America must have a sustained sense of purpose undergirded by our government's willingness to consider longer-term commitment. In short, development is not an overnight process. It does take time.

On another important matter, the sense of the commission is that institutional changes within our government must be on the table if America is to be more effective in helping countries develop. We are deeply concerned about what we found about the depth and persistence of internal problems that have developed over several decades in our foreign aid apparatus, human resources, and processes. We simply have to do better than we have done in the past few decades in correcting these structural and institutional problems.

The commission knows well that over the past 40 years countless experts including many of you have tried to revamp our foreign assistance operations and reduce global poverty. At least seven task forces and commissions have been created. George, the Hamilton-Gillman Task Force that you spearheaded introduced new ideas that were recommended by subsequent reform groups. Peter, who I have known for quite some time, your initiatives in the 1980s that emphasized economic growth and job creation have made lasting contributions. And Brian Atwood, your efforts to refocus foreign aid in the post-Cold War era and to rewrite the Foreign Assistance Act have provided guidance to many.

The HELP Commission is building on your efforts and we are building on the great sense of urgency that we feel and that many in our government feel, that many everyday Americans feel post-9/11. That event as you know made it eminently clear that our country cannot ignore, as Nita Lowey said this morning, what is taking place in remote parts of the

world. The emerging consensus is that today's challenges demand a comprehensive revitalization of our foreign aid strategies and programs as well as a sustained and clear and focused commitment to development.

Lael, the report that you issued at Brookings, and the work of many at InterAction, at the Center for Global Development, and some of the rest of you in the room, have really been helping to drive and shape that consensus. And all of that energy behind building this consensus we think is very, very critical if our government is to make serious changes and if America is to buy into those changes. I thank all of you again for all of the advice that you have been providing to us.

We understand from your work and from our work that development is complex and it is very challenging. Therefore we have considered a wide range of questions and issues, and here are some of them.

Number one, what institutional arrangements will best serve the need for our assistance program to be both nimble and accountable? Number two, how can the U.S. government invest in, for example, more small- and medium-sized enterprises to create jobs, generate growth, and empower people to create their own prosperity? Number three, can our country leverage the expanding number of nongovernmental funds that goes toward development including from foundations and NGOs and individual corporations? Number four, how can America build genuine partnerships with recipient countries? Number five, what kinds of trade practices should we adopt in order to help open the global marketplace to the world's poor. Number six, how can we better employ our nation's smart power so that we can avoid more costly military intervention? Lastly, not that these are all of the issues that we have considered but just to give you a flavor. This one is also very important, and that is how does America do one of the things that we do best, and that is to bring innovation to the poor

and ensure that technology which has changed our own lives on a very regular basis and continues to, how do we ensure that that technology is both accessible and affordable to people in the developing world? We will have some ideas on that.

These and many other issues that we have discussed rest in the knowledge that development requires many, many things, among them health and education, trade, finance, governance, open markets, gender equality, what I want to emphasize here what is very clear to us and in this complex challenge of development is that each one of those things is necessary, but neither one alone is sufficient.

In coming to a close, let me reemphasize our sense of urgency, the commissioners' sense of urgency and impatience. We feel the impatience in our Executive and our Legislative Branches because of the good intentions by both to have a larger and more lasting impact. We feel the impatience of many of you with bureaucratic gridlock and with some leaders who do not govern justly. We feel the impatience among

everyday Americans who want good and lasting results from the dollars we spend and who desire a more secure America and a more peaceful world. And we feel our own impatience and yours and Congressman Wolf's who desire a more secure America and a more peaceful world and who are just tired of watching human beings suffer from poverty.

The U.S. government must get foreign aid and development right. It is in America's national interest to do so. But we must also get this right because of the unalterable truth that it is simply the right thing to do. When we lift one part of humanity, we lift all of humanity.

At the beginning of my remarks I asked you to imagine a world where the trapped talents of the developing world were set free, and I end by reminding you that some of the gifted have already emerged. Think of Muhammad Yunus, the Bangladeshi economist, who founded Grameen Bank and brought microcredit to some of the world's most destitute. Think of Betty Bigombe who I recently met. She is a former state

minister of Uganda and a social scientist at the World Bank. This woman risked her life in order to broker peace between the rebels in Uganda and the government. And think of Wole Soyinka, the Nigerian playwright, poet and critic who was imprisoned, can we imagine that in America, he was imprisoned for expressing his ideas, but he went on to become a Nobel Laureate.

You do not have to imagine these people because they already exist, but there are many, many, many more like them at that bottom billion and in the developing world in general. These people are just waiting for a chance, but we have to remain vigilant in order to open the pathway for the next Yunus, or the next Bigombe, or the next Soyinka. I thank you.

(Applause)

MS. BUSH: And now it is my great pleasure to introduce Gayle Smith who is one of our commissioners. Congressman Wolf refers to the success of the Iraq Study Group partly because of the fact that they really came together in a nonpartisan way and came to some unanimous views about things that

needed to be done. One of the things of which I am most proud about the HELP Commission is that we have been indeed truly a nonpartisan group.

Gayle is one of the Democrats in our commission. She is with the Center for American Progress. She was in the Clinton Administration, she has worked in USAID and also at National Security, and I can tell you that she is one of the most active and contributing members on our commission, not that there are not many, there are indeed many, but she is also indeed an expert in this field and a new friend of mine, and I am just delighted to introduce her.

(Applause)

MS. SMITH: Thank you, Mary, and thank you all for being here. And in particular, thank you Congressman Wolf not just for creating this commission and all of the passion and drive you have put into this issue, but as those in the room who know me know any invitation to be bold and radical is something I relish and welcome.

I expect that some of you here are wondering with the HELP Commission here, why aren't we up here saying our five recommendations will be the following? It is not because we are planning to suggest that USAID be merged with NASA, and it is not because we do not have anything to say. It is because after 14 years of meeting 2 days a month we are in the process of forging consensus amongst ourselves which is a rigorous, sometimes entertaining, and only occasionally mind-bending experience, led by our chief of staff Margo Machol who has been spectacular. But also because once we have that consensus we are going to do a couple of things to test our findings, and we really want to do that so that we can be rigorous and make sure that when we release the report we have done our best thinking and met our obligations to the Congressman and to the community at large.

I also want to reiterate something that the Congressman and Mary referred to which is the nonpartisan nature of the commission. It is one of the few things I am involved in quite frankly where

politics in the conventional Washington sense simply does not come up.

Secondly, I want to share with you that this commission has been very, very serious. It is a really odd collection of people. It is both political parties, some with a lot of down-in-the-weeds experience in foreign assistance, some with very little, but with knowledge and experience in other areas that is of enormous relevance, some people with extremely strong views, some who are much quieter and then pipe up with that gem of an idea at the end. And amongst all of us there is a seriousness which I must say it has been a relief to me at one level, but I think also will be beneficial at the end. Since I am not going to tell you what we are going to come with, I just want to reference a couple of things.

One is why the timing of this is so important. Second, what I see as the five challenges we face, and I want to say that as a member of the commission that if there is anything I say that Mary

does not like, I am saying that in my individual capacity.

(Laughter)

MS. SMITH: On the timing, I think we can look around the world and why this is so important right now. If you look at climate change, if you look at the challenge of Pakistan, if you look at Darfur, if you look at the spread of diseases across borders, we are dealing with a set of complexities unlike any we have seen in the past, and all the forecasts are that the world is going to get more rather than less complex and that the gap between the world's rich and poor is going to grow wider within and between nations. The difference is that the whole world is watching in a way that is unprecedented.

The second reason that timing is critical, and this is a real positive, there is a real constituency for, not just foreign assistance in terms of more dollars for development, but for good and effective foreign assistance and for foreign aid reform. In the last month or 6 weeks, the Global

Leadership Campaign has launched a major effort to engage the political candidates. "One" '08 has launched its campaign to do the same. I was with InterAction yesterday. They have convened a number of members and a number of people to talk about how we get this issue out there. A number of presidential candidates are talking about global poverty. This is new and it is a moment where we have an opportunity to feed the interest and the activism and get the things we need.

The third reason I think the timing is right is that we are seeing debates about the role of domestic programs, debate about the State Department in different capacities. This is a moment where across the aisle there is an interest in and awareness of the need to look at how we can assure that the United States government has the most effective, robust, and diverse capacities we can in order to meet the challenges of the future.

What are our challenges in terms of making foreign aid reform something other than an issue which

is of a great passionate interest to many of us and a complete sleeper to many outside this room? I think the first is we have to decide whether we are really going to be serious. There have been efforts to reform foreign aid before and I think one of the lessons we have to take away is that half-measures are not going to work. Putting another Band-Aide on the foreign aid system is not going to give us the answer. Fixing USAID is not the question. My God, We have done enough to USAID. We need to get beyond that. And move also beyond thinking about what can we get away with, what will Congress really do, what will the American people buy and how far can we go politically, starting with what is right and what is going to work. But again we've got really to decide, and we is the Executive Branch, the Legislative Branch, the commission, the advocates in the room, how serious are we going to be about this?

The second is: are we willing to invest the resources needed in it to get it right? Those resources are not just more dollars for development as

important as that is. Those are resources that allow for the operations that we need; resources that allow for the research and analysis that we need; resources that will allow us to build back the human resource base which has been extraordinarily eroded over the last 20 years.

Third, we've got to be prepared to bring new capability to the fore. There are a lot of people who think that if you care about poor people and you can find Liberia on a map, you can do development. It is true. And that you can do development and people say we need $20 million for Liberia and we must have poor people and they do not have enough education. Development is a lot more complicated than that. It is a lot more complicated when you are dealing with complex political emergencies when you are dealing with a Darfur, it is a lot more complicated when you are dealing with a Liberia. We have certainly seen it is complicated in Afghanistan and Iraq. We need new capabilities and we need to accept and make clear the point that it is not enough to care about poor people

and know your geography, that there is a real expertise here that is no different than the kind of expertise we look for in the Defense Department, in the Treasury, in the USTR, that this is not just a charitable exercise.

Fourth, how do you craft a new grand bargain? One of the very funny things on this commission is that there is a gentleman on the commission by the name of Steve Berry who in the 1990s, as Brian will remember when I was working for Brian, Steve Berry was kind of like a bad word to me because I was in AID and Steve Berry was trying to destroy it. But Steve Berry and I are on the commission and Steve at the time was very involved in the debates about the mergers, as he put it, or the destruction of USAID as I thought. What is interesting here is one of the areas that he and I agree on overwhelmingly is the need for a new grand bargain between the Legislative Branch and the Executive Branch because I think there is a relationship between the two on the issue of foreign

assistance which is not helpful to either side. There is a desire in the Executive Branch to do two things. One, prove that everything works so that nobody will cut the money. And two, make sure Congress does not -- there is an effort on the congressional side to make sure that there is oversight and accountability and get the Executive Branch to stop saying everything is working when a congressman just took a trip and found out that it is not. We have to fix that. We have to figure out a way that the Executive Branch can have the flexibility it needs to be nimble, to respond quickly and creatively, to invest resources wisely, but also to ensure that Congress has its appropriate and necessary oversight role, assures accountability, and (I know this is Charlie's) because sometimes the Hill has some good ideas, but that relationship has got to be fixed and I think we have all have to be willing to start over and reimagine this because at the end of the day both branches want the same thing. They want effective development investment and they

want to be able to show the American people that their tax dollars are being spent wisely.

The last challenge, I think, and we have grappled with this a lot at 30,000 feet and at the level of practical recommendation; how do we shift in a way that will allow us to invest in development for the long-term? We are a country as evidenced by our 4-year election cycle that tends to change everything every 4 or 8 years, and development, if you think about it, is a long-term investment and you cannot really afford to mess with it too much by changing it on the basis of particular political positions or either radical changes in policy. So how do you protect at least a significant portion of our development assistance so that it can be invested over time so that we do not do to the developing world what we do to ourselves which is turn everything on its head every 4 or 8 years and disrupt what is a process. That is a really key thing.

In the end, I think the three challenges that we are grappling with and I hope and believe we

are going to be able to give you a good report on, first, how we elevate foreign assistance. How do we make sure that foreign aid, that development, is no longer the poor stepchild of foreign policy, but an integral part of it? Second, how do we shift from thinking about aid to thinking about investment with the full knowledge that some of these investments are risky, because development after all is a process that involves human beings and we are nothing if not unpredictable? And finally, how do we protect our investment to make sure that what we are doing serves the interests of the country and of the people at the other end as much as it does, or in fact more than it does, either political party? Thank you very much.

(Applause)

MR. INGRAM: Good morning. I am George Ingram. There are a few seats up front. There are two over there. There is one here, there is one there. If people in the back want to take a seat, please come on up.

I am going to take just 2 minutes to introduce the panelists who have not been introduced because I want to make sure the few of you who do not know them understand the depth of the background and experience of the people who are up here with me. The commonality that runs through Lael Brainard, Peter McPherson, and Brian Atwood is that they have all served at the highest levels of the U.S. government in positions that are dealing with international development and economic issues and since they have left the government they have not forgotten public policy and they have had the luxury of standing back not having to deal with the day-to-day demands of public office and have thought very deeply and consistently on how we can improve our international development and foreign assistance policies and programs.

Peter was head of AID during the 1980s under President Reagan, Brian was head of AID in the 1990s under President Clinton, and Lael sat at the Clinton White House at the National Economic Council and was

the “Sherpa” for the G-8s. For anyone who does not know, the "Sherpa" is the person who sets the agenda for the G-8s and tells the heads of state what they are supposed to say to each other.

Peter started his career as a lawyer. After AID, he was Deputy Secretary of Treasury, he worked at Bank of America, he was President of Michigan State, and now one of his minor little responsibilities is to Chair the Board of Dow Jones. And after this meeting he will hold a press conference outside and tell us what is going to happen with "The Wall Street Journal." I forgot to say that Peter is now president of the National Association of State Universities and Land-Grant Colleges.

Brian is Dean of the Humphrey Institute of Public Affairs at the University of Minnesota. He started his professional career as a diplomat. He worked on the Hill in this building. He was the founding president of NDI, the National Democratic Institute, and since leaving government he has served on a number of international panels and efforts,

looking at foreign assistance and international policy.

Lael who is Vice President and Director of the Global Economy and Development Program at Brookings began her life as an academic economist at MIT, and her last two publications, "Security by Other Means," and just a few months ago, "Too Poor for Peace?" deal with the issues that we are talking about this morning. And if you want to prepare yourself for the recommendations and report from the HELP Commission, read Lael's two books.

Our format this morning is I am going to ask the panelists a couple of questions, they are going to respond, and then we are going to open the session up for your questions and comments in a few minutes.

My first question is to Brian and Peter. You both have run USAID. You have both had to deal with the challenges of leading and managing U.S. foreign assistance programs and with the complexities of the U.S. government interagency process. Given your experience, if you had the mandate given to Mary

Bush and the HELP Commission to develop bold, new recommendations on reforming the U.S. foreign aid complex, what would your headline recommendation be, Brian?

MR. ATWOOD: I don't like to make headlines. That is not my function. I am an academic. Let me first say I want to thank Frank Wolf for creating this HELP Commission. I had the opportunity to appear before them and it is quite a very good group and it has been quite good this morning with Mary and Gayle, and I am sure and confident that they are going to come up with something despite Steve Berry being on the committee.

(Applause)

MR. ATWOOD: It was very interesting to go before this committee and having battled with Senator Helms over of the merger of USAID and the State Department. He was very, very friendly and asked some nice questions.

I am very pleased. First of all, the basic premise that everyone agrees to here which is that

poverty is a very serious problem. Indeed, it has become a national security problem. It is pervasive and getting worse and we need to do something. I also think that there is a general understanding in this town that perhaps did not exist 20 years ago of being overwhelmed by crises and that we need the government agencies to be effective to deal with crises. I would say there are two that do it well. One is the State Department, and I have been very proud to have been a career Foreign Service Officer and diplomat and Assistant Secretary and Under Secretary. I know that department well and I know what it does well, which is to manage crises. It needs resources for that, so this isn't an either/or situation. They need their ESF resources, they need resources to influence the behavior of other countries, and so it is important to understand, however, that if you are at the State Department and you find yourself in the Office of Oceans, Environment and Science, you may be doing very important work, but that you are not going to probably be promoted as a result of that. If you are in the

Global Bureau, you are doing important work and thinking about issues that are not headline issues and you probably will find that not the best Foreign Service Officers will be serving in those areas because the regional bureaus are what happens in the State Department. I want to give you a couple of thoughts about bureaucratic politics in Washington because I think that is what this is all about, what we are talking about here.

I got a reputation the last time I was here for having fought off this merger thing. Since then my light has been overshadowed by Don Rumsfeld's bureaucratic genius. But the fact of the matter is that we are talking about two issues here. One is, how do you handle crises? The DoD does that well. They also have the mission of deterrence which is extraordinarily important. State does that well. That is not what AID does. They do prevention. And I wish we could just simplify all of this and think in those terms; what is it we need to do to prevent the crises of the future? We need an agency, I say, a

department, that focuses on that and focuses on long-term development assistance and obviously is held to account for the results that they produce, and the ultimate result is that they have prevented a crisis. That will never be a headline, but it is an essential part of our foreign policy. What I would like to see us do is to recreate American leadership in this field.

We have lost it. We had it back in the 1950s and 1960s with the Marshall Plan and we basically organized the world to do development and we were always seen as the most creative. But what has happened in the meantime is that we have basically spread the mission of development all over the government. Now the current F situation, the administration of AID, maybe captures 50 percent of the problem. But, the problem as I see it is not coordination with our foreign policy; it is coordination with our international economic policy. It seems to me that the problems we have had in the past are not so much a State/AID problem because if in

fact the State Department embraces long-term development as one of its foreign policy issues, then they want it to be done well by an operational agency which can do it—which is AID. The problem, however, is that under the current system, seemingly more resources are going toward crises and less toward prevention, and it is becoming centralized in a way that takes away the effectiveness because the effectiveness of doing AID work well is to have really good missions on the ground, overseas in the countries in which you are working with a lot of foreign nationals from those countries working for you.

So my prescription which I have said to the HELP Commission, and I realize it is a goal that is not going to be easy to reach politically, is that we create a new partnership between State and AID by creating a new Department for International Development Cooperation just as the British have done. What they have found is that the relationship between the Foreign Secretary and the Secretary for Development is one of the strongest in government. On

the hard side of our national security policy we have the defense secretary sitting next to the head of the intelligence agency, sitting next to the joint chiefs so that when you go to a National Security Council meeting the only person speaking for diplomacy is the Secretary of State. It seems to me that she, in this case, needs to partner and that partner would be the head of the Department for International Development Cooperation.

I also think it sends a very important message in that it also gives a voice within the councils of government on national or international economic policy. I will never forget the problem I had trying to convince the people from the National Economic Council who were working on the African Growth and Opportunity Act that it was important for AID to be in the room. Here we were working on trying to help these African countries develop better trade laws and to have the capacity to trade with the United States, and I was told at one point that there was no relevance, that what you are doing is not relevant to

the African Growth and Opportunity Act. That changed. We got that fixed. The African Growth and Opportunity Act now reflects the needs to do development of these societies so they can in fact trade. But it is really important for there to be a voice.

Right now the Farm Bill is being considered on the House side. It is more important perhaps in terms of poverty eradication around the world than the amount of money that we spend on foreign aid. We cannot continue in the Western world to spend a billion dollars a day on agricultural subsidies while we are spending a billion dollars a year to try to help these countries develop their agricultural sectors. So coherence in government, having a policy voice is extremely important, and if you have a department secretary at the table who is an economist I might add, and I am not, but I think there ought to be an economist who is the head of that and I think you would have a much more effective development program.

MR. INGRAM: Thank you. Peter?

MR. MCPHERSON: I would divide the headline, if you will, into two categories, the program and the administration. I would love the report to say that AID should be back in the business of development because, let's face it, we are in the business of disaster relief and short-term delivery of goods and services. The major shift in recent years is the money we are putting into K-12 which in fact is obviously a long-term investment but it helps the political process to be able to count kids so we can be accountable. But we really have to face the fact that essentially you said that MCC is the development agency which only covers some of the world, and the rest of the world we are going to deal with as a disaster case. And how can be surprised when we help people survive day to day that you do not really help them to have higher incomes over a period of time. I must tell you, as I look at this over a generation, I am enormously sad, Brian, we are not spending a billion dollars on health and education, we are spending practically nothing; ag research centers and

other places have been dramatically cut back, international ag research centers are supported at about 25 percent the level they were in the mid 1980s.

It is not just agriculture. Some of you know of the Harvard project that uses technology to create new “poor people” crops that are fortified with vitamins. It is a major project; Gates puts in most of the money. I happen to be chair the board of this foundation; World Bank supports it. AID, in its wisdom, distributes $100 million or so of vitamins around the world. But guess what? In their budget next year they cut out the million dollars they were contributing to this project, which is a long-term investment to deal with the problem. It is not the people. Frankly, the F process was really a problem. So we know historically that new technologies and people and reasonably sound economic policies, some degree of openness of political process, those make changes. And, if you do not have technology and you do not train people, the rest of it does not matter much.

So, I would like the headline saying -- I am not hearing this enough around town, Mary -- it has got to say, “AID is back in the development game”, not just disaster people. I concur with what several people have said here that there is no more dedicated group of people than the AID folks. I have worked with -- universities, bankers; these are extraordinary people by any measure. I was proud to be there working with them, but there are real problems beyond the individuals. The F process had an outcome-on-super-steroids approach. There were hundreds of outcomes to be measured and tracked. I do not think I am alone (inaudible) I’ve done resource administrations in business and government, and virtually a universal view of big organizations began with thinkers like Peter Drucker saying, look, if you are going to get something done, you have to have relatively few priorities, track it, demand outcomes. If you have too many outcomes, there are no outcomes. I frankly am just totally confused, virtually shocked, really, at this process. It is going to collapse of

its own weight. Congressman Wolf, you don't worry, it will die. These guys, the field can't figure it out and they can't do it. Now, that does not mean that there should not have been some sort of tracking process -- and you should not have three or four things for the world. There are different things that you should worry about in Mali; and by the way, let the Malians help figure it out, and not just put a political process back here should be directed to do.

I think that's just a management fact and I wish AID and the Statement Department, and I agree, I have great respect for Henrietta, I hope she get's confirmed soon. I think she is a good person (inaudible) I believe she understands this. But the F Process also did something else which they said regions don't count, countries do. They did not quite say it that way because it is not quite politic to do it, but what they keep saying is the only thing that counts is countries we're going to cut back regional efforts. The rest of the development assistance

agencies in the world are going in the other direction.

I do believe that countries are where the lion's share of the money should be spent, but it is absolutely absurd to think to develop a new variety of sorghum for Chad and another one for Mali. The reality is that they do not want to develop new varieties of sorghum, so all they want to do is deliver goods and services. So it works to focus on countries. It also by the way works for foreign policy. Foreign policy by and large is not regional, it is by and large focused on countries, but it misses regional or global research priorities, it misses regional transportation systems, it just does not make sense, and how they ever got into this business is still a source of confusion and almost amazing to me.

This tension in this issue of State versus Agency in organization, I think good people can and obviously do come to different conclusions. I was personally prepared and was supportive of the organization that Secretary Rice proposed, not in

small part because she proposed it. The problem is that State is such a strong agency and so much more powerful bureaucratically that I do not think those wonderful people at State, and they are brilliant and good people, can constrain themselves not control AID. I do not think it is possible. Their mission, they need walking around money. That is the reality. They need walking around money. My dear friend Chet Crocker used to come to me at AID and say, Peter, we need extra money for -- and I would weigh it back and forth and think it does not make sense to me. Periodically I would go to Eagleburger who then was the number three in the department and Larry would tell me, I would say, Larry, I don't want to do this, it makes no development sense. But tell me do we really need to have that half a million dollars for Togo and Larry would say, yes, we do, and that was fine. I technically reported to the President but I really reported to Shultz. I thought that if Shultz wanted to get me fired, I would be fired, and I know that Shultz appreciated that I could do things on

family planning but I knew that he did not want necessarily get his name all over it every day. I will never forget the time where we sent somebody over to take pictures on the docks of Ethiopia of all the food that was stored up over there Mengistu would not send around the country (inaudible). We took those pictures surreptitiously. I am sure State thought we were a bunch of cowboys, we took those pictures, brought them back, and I called in the Ambassadors of Japan and a bunch of countries in Europe and so forth and gave them the pictures and said you guys have not been supporting us publicly enough. And by the way these aren't the only copies of the pictures and guess what, in 2 days we had an international press conference condemning Mengistu's not distributing the food. Now, that was not a State Department kind of behavior, they would never have approved of that.

You need to have a separateness but a coordination. Whether you need a separate department or not, AID is integral to the foreign policy of this country. You've got to have it be hip to hip, not

under, not controlled, because as Brian just said, the assistant secretaries are where the power is usually and they cannot control those programs because they need their walk around money. You need the walk around money by the way.

So I don't know, Congressman Wolf, what it should be, but I do think that I fear this current structure doesn't work if I had my druthers I would, it would either have to be a separate place, separate cabinet place or it has to be a separate structure reporting to the Secretary of State, back to the days when you had your own discussion with OMB. That was real power. But it is more complicated than 20 years ago because you've got the foreign aid programs spread out much more further around the government, you've got that, and many of those departments have real expertise. I think -- that we know so well that is an enormously effective $25 million thing and I will tell you the bankers, the experts on central banks and so forth, they don't want to work for AID or State, they want to work for Treasury and so you can't sort of

fold that into AID even if you could bureaucratically get away with it, so you've got to figure out some way to do this.

I would have some sort of unified budget that the committee insist upon for development assistance in the budget process and I would give to the mission director in the country the authority to in effect approve or disapprove transfers in and out of the country sort of like an ambassador could do, sort of a sub-ambassador role. You are not going to get this bureaucracy back together, I don't think. You are not going to get Treasury under AID. You are not going to get the USDA -- so I have to figure that out and my thought is to have a unified budget and have real power in the AID mission directors in terms of a coordination role on that level. Don't give it to the ambassador. The AID mission director works for the ambassador, don't expect the ambassador do that. He too has walking around problems. Those are my thoughts, and this is important. Mary, I sure hope

that the headline is AID is back in the development business.

MR. INGRAM: Thank you, Peter. Lael? You ran a task force that examined in depth these issues. What was the recommendation of the task force?

DR. BRAINARD: Let me just say that we had a task force that was co-directed by Brookings and CSIS. It was one that included people in this room, staff members from Congress, people who have served at high levels in administrations of all stripes, people who are out in the field with NGOs, people from pretty much all different parts of the Executive Branch as well as the four particularly relevant committees and HELP. We sat and looked at each piece of foreign assistance first, HIV/AIDS, humanitarian, long-term development, and then we tried to think about it in an overarching way and really that product of that is all at the service of the HELP Commission. There is a lot of detail in there that we have already shared with you.

The first conclusion is very much what you are hearing in the room, there is an absolutely critical need for reform and the moment is now. When you look at the past episodes of reform, they generally take place between administrations before people are defending their own turf, before they know what turf they are defending. But I will tell you, when they really work, it is because there has been a congressional process leading up to it and there is very strong leadership from Capitol Hill that already has done the analysis and has come together around a set of recommendations, and we all are most familiar I think when the Goldwater-Nickels process that was a congressionally led process and it took many years to eventually come up with legislation but it had profound effects and partly I think because of the depth of congressional involvement.

Why is it so important right now? We talked a little bit about it. Right now we need to leverage our soft power and make it smart power. The world is looking to us to do that and we have a lot of

political will right now to do that. The difficulty is that our foreign aid infrastructure simply hampers our ability to do so. We went and counted all the various units within the government separately who administer this stuff and drew a chart which is now commonly referred to as the "chart from hell." There are more than 50 objectives that are embedded in our legislation and are embedded in our administrative guidance to agencies and about an equal number of agencies, and if you look at any one objective you will find 12 different lines with overlapping operational units in the U.S. government many of whom do not report to any one single place. So the inevitable result as any business executive will tell you, is duplication, and infighting and really punching below our throw weight in terms of what impact this money has in the world. So we need a unified framework. At the end of the day we do not need 50 objectives. We probably will have a few. We want to support the emergence of capable foreign partners, we want to address humanitarian need and

have a sustainable solution to poverty, and we want to counter security, humanitarian and transnational threats, it is really not that complicated, and we want to do it in a way that is very differentiated based on the capabilities of our partners on the ground.

If we think about principles, they very much echo the principles that Mary and Gayle put on the table. The set of principles they put on the table together are exactly the right ones and I will just highlight a few. First, one critical one that Congressman Wolf really spoke to, we have to demonstrate to the world America's true sprit, compassion, and a desire to work in partnership. I think this is the moment. We know from the polling that when we do that it has lasting impacts in places like Pakistan and Indonesia. We also know from the polling here at home there has been a big shift in attitude and Americans support that, not because they have a very simple view that this is going to solve our terrorism problem, but because we think it a

humanitarian and a moral imperative. You can see it in their private giving, you can see it in their volunteering efforts. Americans are very motivated right now to do that.

We need to do it in partnership. Mary mentioned earlier about country ownership is critical. If countries or civil society within countries do not own a process, it does not matter how much money we throw at it, it will never succeed, and so that is a critical piece. The flip side of that of course is accountability, accountability to the Congress and to the taxpayer here, but we also want to build in accountability to the citizens of those countries because ultimately what we are going to try to hand over is a process of accountability because ultimately once those governments are up and running and they are serving the needs of their poor populations, they are going to want the mechanisms to demand better performance and accountability. So it is a win-win all the way around if we do it right.

The third one is it is critical to protect against the subordination of our long-term development interests, and I think Mary and Gayle both spoke to this, to short-term strategic objectives, and this is what Peter McPherson talked about and Brian, I believe, is it is very difficult if you are sitting at the State Department and have a primarily diplomatic mandate to do this not because you do not want to but because the exigencies of your primary mission lead you in a different direction.

I think that many diplomats would find it useful to be able to say I did not make that decision, I have no involvement in that resource decision, and I am afraid we are simply going to live with it because that is the only way. If you take that decision-making process out of the people who are responsible for good government-to-government relations, it is the only way they are going to be able to channel money sometimes to opposition groups or civil society groups outside of government where governments are not doing what we think we want them to do, and it is the only

way that in places like Pakistan who is strategically critically important but has wasted a huge amount of development funding, that we are going to be able to every once in a while say, no, if you do not get this right, you are not going to get more. So I think for the diplomatic objectives it is important.

Thirdly, and this goes to the same thing, the diplomacy-defense-development triad is only going to be as strong as its weakest leg and right now there is no doubt in my mind that the weakest leg is development. I think everybody applauded the president when he put those three pieces of our national security apparatus on an equal plane with the 2002 national security strategy statement. I think there has been a lot of concern subsequently that perhaps development has become subordinated just through the way bureaucratic processes work. I think we need to restore the sense of mission. We have to restore the stature and morale of the people working in these very difficult positions out in the field. The MCC was recently ranked among the top five in the

small government agencies. Guess where USAID was ranked? In the bottom 10. There is demoralization, there is a loss of personnel, and it is something that we should all worry about. I think what we do not recognize, and Gayle has really talked about this earlier, when we plan a military intervention in a foreign country and when lives are on the line, nobody is saying somebody with diplomatic training should be the right person to do that. I think what we do not appreciate is the development people every day are planning life-saving missions in extremely important and difficult environments and the degree of technical skill and complexity there is no less. But as Gayle was saying, we tend to downplay just how complex those environments are and the importance of really understanding both at a technical level, at an operational level what works and what does not.

The final one is at the end of the day, and this is where I hope you will be bold, we are going to have to rationalize agencies. Fifty is just a crazy number. What has happened in the last few years is

every time we have a new objective we create a new institutional arrangement, the MCC, the President's malaria initiative, the State Department coordinator for reconstruction and stabilization, they all have very interesting institutional arrangements and reporting lines, but the end result unfortunately is this enormous array which does not have any single command structure. So we are going to have to figure out what gets shut down or what gets moved over somewhere else. So that would be the principle.

In terms of the models that are out there, I think you are looking at all of them. One is the one that Brian Atwood and Peter McPherson suggested, to really bite the bullet and make this a separate cabinet department so that development sits at the table alongside diplomacy and defense. I will say I used to convene the deputies meeting at the White House and we were not allowed to put USAID at the table next to State. We received that very clear message from State that they were subordinate and they needed to be in the back row if they came at all

because that is the way the government is statutorily set up right now, and that is fair enough.

The second one is to have a very strong coordinator somewhere. The question is where that should be. Should it be at the White House? Should it be at the State Department? And if so, how do you insulate that person? I think the third is more merger and more integration with State. We have to take that one very, very seriously. That is the trajectory we have been on for a while. So I think those are probably the three right models to be looking at and I will be personally very interested where you end up in terms of your ultimate recommendation.

MR. INGRAM: Thank you. I have more questions to pose to the panel, but I would prefer to go to the audience if there are burning questions, and I see one in the back. Please introduce yourself and where you are from.

MR. TIPSON: Let me ask a multilateral question. Fred Tipson, I work for Microsoft. I go

back to the days when Brian Atwood walked the halls, a multilateral question. I am amazed, though I realize the focus is on how do we fix the U.S. government side of the problem, but I am amazed that a discussion on strategy for economic development in particular could go on without a discussion of multilateral role and multilateral agencies. In this day and age there are so many development tasks that are much more effectively performed by a multilateral organization rather than the U.S. alone. I take nothing away from the need to strengthen AID -- I do not mean to denigrate that. But frankly, even the war on terror is far more effective in many circumstances when it is a multilateral organized initiative. I think we are losing a lot of the change in the world economy, the whole role of partnership with the private sector. It isn't just about getting the boxes right in the U.S. government, it is how are we going to strengthen multilateral institutions to create effective development processes that we are looking for and without that I think I will be very disappointed with

the recommendations that come out of this commission if there is not a strong pillar on that side of the equation.

MR. INGRAM: I am going to ask Peter to address that first because when you are Deputy Secretary of the Treasury you oversaw multilaterals, and then ask the other panelists.

MR. MCPHERSON: I think that multilaterals, the World Bank, IMF, and others certainly have an important role, I believe, and UNICEF and so on, the World Food Program, and I did not intend to dismiss them because I think they are important. I do think the IMF and the World Bank are in a state not perhaps of crisis but hopefully major transition they simply are not working very well. And the World Bank has 7,000 people here and 3,000 people abroad and the fundamentals of that do not make sense. The IMF's function is very different in the world where capital markets are so strong and important. So I would say, yes, you have to do those things, I think it is a bit beyond the mandate of the commission to deal with it

in depth, but I would strongly support the idea that they need to play an important role. I had one last point to supplement what people have been talking about. I remember the debate of whether trade policies should be in the State Department or a separate agency. This happened during the Eisenhower administration when there was a final decision to move it out because the business community concluded, and properly so, that people in the State Department whose primary business was to try to keep relationships going nicely did not have the capacity to be tough trade negotiators. Some of that history is worth thinking about here. That debate has long been settled. No one would even consider opening it. I believe that it is a chapter of history worth reviewing.

MR. INGRAM: Brian, you have been operating in UN, recently.

MR. ATWOOD: Yes, I served on the -- panel on U.N. Peace Operations and it was really an eye opener for me to see the weaknesses of the United

Nations up close, and we wrote a very critical report. I will not get into that at this point. But it seems to me that the United States government has to play a really important role in reforming these multilateral organizations to make them more effective and we are not really now aligned to do it. It seems to me when you look at the United Nations peace operations on the political side is something that State ought to be worrying about. The voluntary organizations, the UNICEFs and the UNDPs and others, we ought to be aligned to have our expertise working with those organizations to help them coordinate better and to be better partners with the United States. The same is true with the World Bank.

Again, in the British system, the Development Secretary is the person who serves as the overseer of the World Bank, but the Finance Minister, the Chancellor of the Exchequer, oversees the IMF, and in many countries that is the way it is divided. When I used to have lunch every once in a while with Jim Wolfensohn, he and I had very similar challenges. We

both basically ran development agencies even though his had a banking aspect to it.

So again, I go back to this notion that if there is a new department, obviously the U.N. voluntary agencies and the World Bank ought to be a part of their responsibilities, but even if that is not realistic, the fact of the matter is that the U.S. government needs to take a leading role in reforming these organizations and the only way to do it well is to align our expertise with the mission of the different agencies.

MR. INGRAM: Lael?

DR. BRAINARD: Let me just say I am glad Fred asked the question. We actually have spent a lot of time thinking about it and we thought about it in each area, where should we be collaborating on humanitarian, who does what best, and it wasn't just the multilaterals, it was the private sector, it was the NGOs, it was some of the other bilaterals. I think we do need systematically as a government we do not want to be doing everything, instead we want to be

doing a few things really well and then partnering with other organizations.

Right now, interestingly, you are asking about the multilaterals, but this question is even more acute with respect to all the new players in terms of the social entrepreneurs and the NGOs and the mega philanthropists, our government needs to be agile and it needs to be able to share leadership every once in a while and it needs to really have a mandate and a desire to work with these organizations on a systematic basis.

In terms of what does that mean for the recommendations, I actually think it still means we want to rationalize because at the end of the day we are, ourselves as a government, so confusing, we have so much internal kind of entry points for developing countries that it is very difficult for any of our partners to work with us effectively. So I think it drives in the same direction which is we should value these external partners, we should always be looking for a division of labor, and only doing those things

we really uniquely have the best capabilities on, but we will only do that well if we are a little bit more unified and speak with a single voice ourselves.

MR. INGRAM: Mary and Gayle, how is the commission looking at multilaterals?

MS. BUSH: I will just say that a couple of things, one of the things Peter said, that mandate is probably not broad enough and our time is probably not long enough to go in depth on the IFIs, on the World Bank, the IMF, et cetera. However, we have taken somewhat of a look at these institutions, the relationship between the U.S. government and these institutions, and I expect that we will have something to say about those relationships. In particular, one of the things that I think about are the enormous funds needed for infrastructure in various parts of the world, particularly in Sub-Saharan Africa, and I suspect that there are much better ways for the U.S. government and the IFIs and other governments perhaps with some of the existing processes where the U.S. and

other governments get together to coordinate much better on those issues.

And I will echo also what Lael said, and that is we do need a clear channel, a clear mechanism, for coordinating with the private sector, with NGOs, with all of the other players, and we have to play to our strengths as I said earlier because we do have different strengths, the U.S. government, the Microsoft Foundation, the World Bank, and others.

MS. SMITH: The second question, Lael, that you pieced out of this which I think is critically important which is how do we coordinate with other big actors, but also other government donors because if you are on the receiving end of this developing country, on average the world's poorest countries have over 250 development interlocutors when you look at the number of bilateral donors, NGOs, IFIs, and if you are the United States when Nigeria went through the transition in 1998 and we called a meeting to pull together all the agencies to figure out how we were going to support them, we had 23 government agencies

in the room, today we would have over 30. That constitutes something other than support to a government that is going through a serious transition.

I think one of the issues that has come out in the commission, and I cannot tell you where we are going to come out on it because we have not come out on it yet, the tension between the great desire on the Washington end to articulate goals and objectives, health, education, democratization, governance, transparency, HIV/AIDS, kids, gender, agriculture, science, technology, and the need on the ground for our people to be nimble enough that they can make wise choices based on conditions on the ground but also with the view to what other donors and actors are doing. Because in a lot of countries we may think our primary goal should be HIV/AIDS or education, but it is covered, but what we end up with a mission that quite frankly is already earmarked and fully locked and loaded before they get to the table. So that is one of the other reasonably good and well-intentioned tendencies that we have to figure out how you grapple

with: How do you give enough flexibility to the field to allow for that strategic coordination to unfold on the ground without having Congress feel that people are running off without sufficient direction to ensure accountability.

MR. INGRAM: Paul?

SPEAKER: Paul Clayman, Counsel for Minority Staff, Senate Foreign Relations Committee; was at State for 15 years, seeing the commission as a review of all foreign assistance. What I have heard today is just development assistance, and as part of that it is no surprise to take out development and let's create a new development agency going back to IDCA or something like that because who does development better than a development agency, and USTR. So, what are we going to do with rest of it? DoD does train and equip better than State, they do IMET better than State so what do we do with respect to the other things? If development assistance for better or worse is a very small percentage of the overall foreign assistance, do we spin those other

things out too? I for one do not believe State should manage any sort of foreign assistance program, having lived in it. But that suggests that DoD ought to be taking on the IMF and the train and equip, and as we know, they are increasingly and that causes some problems of its own. So, one, what are the recommendations for the other things besides development assistance, because State still isn't going to get those other things right. Are we going to give it to the other agencies who have the capability, or where should we go with that?

MR. INGRAM: I think that is a great issue and I am going to ask Mary and Gayle, do you want to address that first? Are you all looking at development assistance or are you looking at foreign assistance writ large? And Paul has put on the table the elephant in the room which is the role of DoD.

MS. BUSH: We are most assuredly looking at foreign assistance writ large. We generally divide them into three categories, I think most of you do, they might differ somewhat, but security assistance,

development assistance, humanitarian assistance, and clearly there are issues in all three of those areas. The development assistance is what I think many of us have focused on most here today because that is one of the areas where as somebody put it the three D's, development, defense, diplomacy, where development seems to still be very much small compared to the other two.

Yes, as we have talked about foreign assistance in general and the fact that as Lael has mentioned, it is spread across many different agencies, and the fact that the Defense Department is doing a lot more in terms of foreign assistance, a growing amount, a lot more than it ever has before, those most assuredly are issues that we are looking at, and I think we will have recommendations in that regard. I would stress once again something that I said earlier which is the strong need for coordination within the U.S. government and to have an overall strategy that works.

MS. SMITH: I would just add to that one of the things that is increasingly apparent the more you look at this are the two things you referred to. One is that with all due respect, and one of the reasons the question has been kind of the wrong one I think in the past, the State Department needs some work, not just AID. And the other elephant in the living room is on the DoD side where the tremendous and growing gap in operational capabilities on the State side, including as the world is changing and our policies are getting more complex, is being filled by -- one of the things that has been very useful to is to hear quite a lot from DoD some of which we might have predicted but some of which was quite interesting and not what I would have anticipated about how to resolve that.

So it is as Mary said something we are spending a great amount of time looking at. What it gets to and the addition I would make to Mary's comment, what Lael said about the need to rationalize the number of agencies we have with the need

structurally to have some level of coordination that is powerful enough that even in the event that you have somehow segregated development assistance, you can deal with the potency of the other strong actors at the table which are the State Department and security assistance, ESF, for example, and obviously DoD, because right now as we know one of the things that is problematic even in the F Process is that there really is no control, coordinating or other controlling authority over DoD resources. I have found as a private citizen, I met with the Combined Joint Task Force at the Horn of Africa and saw a lot of what they were doing and ended up briefing one of our embassies.

MR. INGRAM: Lael and Brian, are "departments", departments of development or foreign assistance? And how do you address the growing role, encroaching role of DoD?

MS. BRAINARD: The answer I think is that as we talk about development because that is a nice way of encapsulating, but the reality is where do you put

HIV/AIDS, where do you put humanitarian, and those are all really I think part of the same operational basket, and so for some of our programs it is actually pretty easy. The department would probably be a little bit more like the Department of Foreign Operations but my guess is you are not going to get a huge constituency for something with those names, but my guess is you are going to put a lot of areas where operational and implemental skills are the key for success together.

As you go program by program IMET, no, police training, I do not know the answer. There has been a lot of back and forth as to what happened in the debate and where does it belong now, so I think we will just go program by program and make those determinations because some are very easy and some are a little bit more complicated.

As to the role of DoD, I think this is one of the most interesting developments in the last few years. I think if you look at the numbers, I want to say about 5 years ago, spending through the Department

of Defense in this arena was about 5 percent of our overall what they call overseas development assistance, it has now risen to over 20 percent over a very short period of time, a big expansion. Obviously the reason for a lot of that is Iraq and Afghanistan, but not the only reason. And I think we should sit back, take a breath, we have been in the middle of two conflict situations and so we have thrown a lot of resources at the problem, but I think what we need now is a kind of more strategic process to say looking forward where should we be developing, whether it's a civilian response corps, or whether it is within DOD, where should we be developing those capabilities and have the resources flow.

I think right now the capabilities flow to the resources and because 050 is a lot easier to get funded than 150 you tend to have capabilities being built into the Department of Defense, not even their particular choice, but because there was no one else that was able to do that, so that is I think is one of

the most important areas to have a strategic process to do this by design rather than default.

MR. ATWOOD: Development professionals understand when they are working on the ground that these issues are related to one another. If you have an HIV/AIDS program you are looking at the entire health infrastructure of the country and delivery systems for other diseases and the relationship to tuberculosis. We have family planning programs, you are looking at the role of education and the like, and it has to be a comprehensive strategic approach. Therefore, separating all of these things is not a good way to do business.

I also think in postconflict situations, while obviously it is important to maintain security so that interagency coordination is important. If you are delivering humanitarian assistance, we created something called the Office of Transitions Initiatives to bring about reconciliation within the society, but you want to move as quickly as possible into long-term development, so they are all related. It is difficult

even within AID to get the disaster relief people to work with the OPI people to work with the long-term development people, but to have separate agencies all together would not make any sense to me at all. So I certainly agree that IMAT and other things ought to be run by the people who understand those kinds of issues and I do agree with Lael that there is a really big issue out there and corruption is an important aspect when we look at judicial systems and try to work and develop them. We look at Transparency International and their work to make accounting systems normal and transparent and efficient.

The one that gets left out is police. What do we do about that? We have had some bad experiences as Peter remembers way back when at AID dealing with police in Latin America who were torturing people and doing other bad things. The fact of the matter is any democracy has to have a police force that is close to the people and understands what the basic concept is. I don't think the system of turning that over to

Justice has really worked all that well, something that we really need to wrestle with.

MR. INGRAM: Peter?

MR. MCPHERSON: What's the way forward? A couple quick points I would like to pick up with what Gayle said a few moments ago that there are some issues at the State Department, but one is they need more operating expense money, they need more people because the vacuum that is in the State Department is part of why this other stuff comes in. The same thing for AID, by the way, in terms of technicians and others.

As to the DoD, I think there clearly is a DoD role in situations that are very tumultuous. I was in Iraq the first 5 months after the military came in and among other things responsible for the currency conversion. It was one of the few things that you can look back and say actually worked, but we would have not been able to have distributed several billion dollars in new currency without DoD protection. We had that.

On the other hand, the DoD as time went on and began to think about what they should about agriculture in Iraq, it did not make any sense. There were serious discussions. So I think that statutorily or somehow there needs to be an understanding of the role of DOD which is very important in Iraq or Afghanistan or other places, and the role that they should not have. There is sort of a mission creep that everybody has.

The reference to IDCA -- question was interesting. That is an experience we should reflect upon because of course it did not work. In fact, I remember when it was commented that we want to get this stuff done early in the administration, I think I was practically the only person in at the White House, I was the president's lawyer during that transition in the early days I knew about IDCA and so along with my AID administrator appointment that the president approved, I got in and got myself appointed the IDCA director thereby eliminating what I knew could be some

(inaudible) why should they know? This is the time to get these little things sort of worked out.

MR. INGRAM: We've got 10 minutes. I see three or four hands. I'm going to take that I saw earlier which I did not get to, and I apologize. Quick questions and interventions and then we will let the panelists address it.

MS. WILSON: I am Laura Wilson with the Center for U.S. Global Engagement. I have heard many of you mention the need to develop host country demand and have them put on the table what their proposal is so they truly own it. The closest proximate we have that I'm aware of is the MCC for that right now. Yet on the other hand, MCC has been severely criticized and even threatened with lower appropriations levels and absolutely being dissolved potentially because they have been so slow to spend funding but the MCC said we are trying to build country ownership and that takes time.

So how do we reconcile the need for expenditure of funds very quickly with the need to

build country ownership? And particularly I see a lot of appropriators in the room today, Appropriations staff, and some Authorizing staff as well. I am sure that they would be competing with members who are looking for earmarks and directives in each of the bills that would siphon funds away from that country ownership process.

So dealing with these very complex demands for accountability and ownership among members of Congress for our foreign assistance budget, how would you actually realistically propose a sort of change that would work?

MR. BARRER: I am Andrew Barrer. I am the Executive Director of the U.S. Coalition for Child Survival. We are a creation of the Gates Foundation. Many of the groups in the room are members of the coalition. I would like to hear where the commission is going in terms of global health and how they see it should be organized and what changes do they see in terms of health. The reason I bring this up briefly is that we see that in a lot of countries where health

programs are working, 2 years later the country gets defunded of those health programs because other political objectives move to other countries. At the same time we see other money going to countries where they do not even have the infrastructure to manage that.

MR. INGRAM: Charlie, quickly?

Charlie Flickner: (inaudible) some people think USAID is just becoming a contract agency (inaudible) this training whether it is done by DoD or by Justice or by USAID is done by private contractors. What type of people would the commission propose recruiting for whatever, the Department of International Operations knowing that the pressure from OMB in two administrations is not to have technical experts manage programs, it is to basically contract it out and grant funds by umbrella grantees? What type of human resources would you be seeking to rebuild in this international department when most of what people do other than make policy decisions is to write contracts, statements of work (inaudible)

MR. INGRAM: The health question is really for Mary and Gayle. Let's start with Brian to address any or all of questions. We have about a minute or two.

MR. ATWOOD: Just on country ownership, I think equally important if not more important are taking ownership by the people who are being worked with here. So I say this about the MCC, their great benefit is no earmarks and very good standards and so you know you are working with good partners if the choices are made based on standards, and I think it's a model. It has to be an informed partnership, it has to be a cooperative partnership with the country. I am not sure that those decisions are always going to be the best, and then you need people on the ground to evaluate the programs. I am not sure there are enough people on the ground. It remains to be seen.

I would say that if you have a change of administrations no one is going to recommend basically eliminating every MCC. I think court is still out as to whether or not they work. I think it probably

should be integrated with a development agency so that there can be more oversight of the programs in the long run, but the basic concept is not a bad one at all. The country ownership is crucial and should be done with regular development assistance programs as well. We tried when I was there, and I am sure Peter tried as well, a participatory development approach -- listen to the people, find out what they really want, and everyone knows in development that that works best. But you cannot do it with a lot of earmarks either. That is the other problem. We need a new mandate from Congress. We tried this once before and it did not work. I notice that the people in the room here, Paul you are here from the authorizing committees, this new mandate probably has to come from the authorizing committees. The appropriations committees have run the foreign aid program forever, since 1985 at least. I know Tim Rieser is back there smiling he has all the power and all he needs to do is stand in the middle of the room and everyone knows him.

(Laughter)

MR. ATWOOD: The fact of the matter is that the Government Performance and Results Act which was passed by another part of Congress, people on the appropriations committee do not care about it. I tried to get people to change the legislation hold us accountable on the results, not outputs, not whether or not we spent the money you told us to spend, and I did not get very far, but I think we need a new mandate.

MR. MCPHERSON: I think that as we approach an election that this is a good time to really rethink a number of things because everyone in this room understand this problem and maybe we can work some matters through (inaudible) as to the particular questions that have been asked, if we can get some (inaudible) AID back into long-term development to complement MCC, that would be wonderful, but we have to recognize that development is a long-term process. Often it does not take huge money; it takes a long time of some money. AID in some ways could take some

lessons from some foundations that play a little different role. I heartily endorse this matter of engaging the people in the country more. The lessons where real changes have occurred in the last 20 years have not been outsiders telling them what to do. It is been true in Asia, Chile, and Latin America, look at the countries in Africa making progress in Ghana, Mali, and Mozambique. Those countries are taking charge themselves. It’s hard to remember this when we sit around in Washington trying to figure out how these people could really do it.

On the contracting out issue, this is a real problem in the last generation because of lack of operating expense money. You've got Beltway folks, these pipelines with a billion dollars, and there are not just one but a set of contractors that could potentially transfer to the administration. And I think for U.S. foreign policy purposes, the long-term impact (inaudible)

DR. BRAINARD: With regard to Charlie's question, I think there is always going to be for

purposes of efficiency of moving money you are going to have a certain level of contracting out. We have gone way too far in one direction. If you look at the actual numbers there was a good NAS study on this that is cited in our report, we have lost so much technical expertise at USAID that it is really a tragedy. We do not have any scientists, as far as I can tell they do not have any research budget, and one of the most important things is to create some kind of internal constituency in USAID that would work with a network of researchers in developing countries as well as in rich countries to try to bring some of the technologies and the research which would bear against what people call neglected diseases or developing country problems, we have had a lot of success on that in the past. But if you look actually at the technical personnel within AID, the number has simply collapsed. A number of people who are kind of generalists or what they call governance experts, I do not know exactly what that is, has mushroomed, but the people who have the kind of core expertise on things

like health and education and infrastructure has dangerously dropped I think.

On Laura's question kind of gets at the nub of the problem, I think that both sides are probably a little bit at fault here. The administration came in with a huge request without recognizing the operational difficulties of getting an entirely new entity up and running and staffed with an entirely new model to move money out to the field. So I think in retrospect, if you sit, I guess, where Charlie, Nisha and others sit, I have to believe that you have so many competing demands on those scarce funds the last thing you want to do is tie up money that is not going to get spent. And I think the administration came in with a big request and they simply weren't able to move it, and those problems were predictable. People said you are not hiring enough staff, you cannot move that quickly. If you want to start a group up, you have to be slower. So, I think a little bit of operational kind of realism on the part of the administration would have helped.

But on the flip side of it we need that partnership with Congress, with the authorizers and the appropriators to buy into this model and give it time to prove its merits and evaluate it, evaluate the heck out of it, so that we can learn something from it, do not kill it.

MR. INGRAM: Mary? Gayle?

MS. SMITH: Again, Mary, if I say something that gets us in trouble, it's just me, it was not the commission, but I think all of these get to something I said in my opening remarks and that is the need to totally redefine the Executive Branch and Legislative Branch understanding of this and relationship on this, and Charlie, I say this because of you. Quite seriously because we have completely lost sight of our mission and the dance that is done between the Executive Branch and the Legislative Branch, both are equally culpable in this. I have gotten over my "it's all your fault, it's not my fault". There is a "show us that you have spent the money and you have spent it wisely". There is a "prove to them there are no

problems and get them out of our hair". Quite honestly, that is what goes back and forth.

So, what do we overlook in that case? We overlook the fact that development is a long-term process. We force ourselves to measure things like whether countries have gotten to democracy yet and what the manifestations of that are as though you can count it like it is a recipe versus how much progress they are making from where they started. I think it is one of the key reasons this thing happens on MCA.

In the current environment, it is an unreconciled tension because we are more set up on the Executive side and the Legislative side to measure quantifiable immediate results rather than progress along a continuum. We are programmed and designed to spend money as quickly as possible as opposed to making smart investments. This may sound like it's not a significant difference, but it really is in terms of how we think about how we're doing it.

What are your budget cycles? You know, I've met democracy and government officers in the field

who've had to program ahead to say three years from now "here's what we're going to do with governance and democracy" because of our budget cycle. And, that does not make any sense. So, there are some really big issues in this that we got to think about. That is, how does the budgeting work; how does the oversight work; what are the measurements; are we measuring everything we do?

I know when I was at AID, we were spending a lot of time with admissions. There was as much time as we have spent measuring and explaining and defending outcomes and outputs as was on figuring out what everybody was going to do.

What is the account structure; does that make any sense? I think there are a huge number of things that have to get reconciled under the broad heading of, how do we rethink what the global legislative branch is, what the executive branch is; and how do we incorporate into legislation new structures and new practices. The fact that we're trying to do something where there is a qualitative

emphasis in a system that demands that we do quantitative. We're trying to do something that takes decades in a system that is geared to a year-to-year cycle. Otherwise, I could just go around in a (inaudible) and quite frankly end up in a system that is not transparent either way – in the legislative branch to the executive branch, or back.

MS. BUSH: And, I'll just add a couple of things very quickly. It is somewhat parallel to what Gayle is saying, but these things are so very important, so I'm just going to say them in my own words. I noticed that the relationship between the executive branch and the legislative branch, it's got to be on the table. I mean, we talked to many of you in the legislative branch, we talked to many people in the administration, we know that there are good intensions on both sides. Everybody wants to try to fix this problem. But, if we don't have open minds, and really put the relationship on the table, and be open to some changes so that we can put in place some of the kinds of things that Lael was referring to, we

will continue to have grid-lock, we will continue to do nothing about development and nothing about people in poverty.

And then on the longer-term issue, looking at development as a long-term process and AID being back in the business of development, because Peter, I personally do agree with you.

A lot of my life I spent in the private sector and the corporate world. When you are going to invest in a company or in a mutual fund and you are talking to a financial advisor – and you're not a day trader – what are the advisors telling you? You have got to take a long-term perspective. You cannot just go in and out of the stock and watch the up and downs of what Wall Street likes their people to do, likes their companies to do. You know, what are your earnings today, tomorrow, this quarter, and the next quarter. And then they punish you big time if you haven't gotten your earnings for the quarter. But, I always say to any companies that I am associated with -– it's the fundamentals. You've got to take the long-

term perspective. And if we don't do that with regard to development, then, again, we are going to be back in the mire and the mess that we've been in for a very long time. So, you're hearing what I really, really think about this. We've got to take a long term perspective; we've got to find ways to have commitments for the long term, so that some of these things can work. Otherwise, they never will.

MR. INGRAM: Thank you, Mary. I will conclude. We have a couple (inaudible) We have been here for two hours. Seldom have I sat in a room with 80 people and had standing room only. We not only have Tim and Charlie back there, but you have the Chief Operating Officer of AID standing up, together. We have Mike Mereck who knows more about AID personnel policies than anybody who has ever existed. There's an audience for this, Mary.

MS. BUSH: (inaudible)

(Laughter)

MR. INGRAM: I would be gratified, and I would be concerned because there are a lot of people

who are going to be looking for what you and Gayle recommend for us. (inaudible)

(Laughter)

MS. SMITH: I just want to say, can I make an interjection here? Because a lot of people here have come and talked to us. This isn't a commission where we've got our own agenda, and "if you don't agree with us, then too bad". I mean, in many ways, I think we're trying to be a vehicle that as many people as possible can put ideas and recommendations in to the mix. We can go through them, and try to bake a cake out of it. So, watch what we're looking for. But, we are also not finished. So, if things that have come out today that you think are of critical importance – out of any of these questions; get it to us and be aggressive as to what you think the recommendations ought to be.

MR. INGRAM: (inaudible) Mary and Gayle will be a venue, a network for distributing their report in the '08 issue. And for those of you in this room, what you can use to track how these issues play out in the next eighteen months in the presidential campaign.

Five of the panelists before you have served on a working group in the spring to draft up a four-paged statement explaining why development and diplomacy is central to our foreign policy and national security and humanitarian interests, and why it's urgent and critical that we increase resources and that we use those resources efficiently.

Wednesday morning, a summary statement that was headlined and co-chaired by Madeline Albright and Frank Carlucci, and signed by 25 to 28 other former foreign policy and national security luminaries, Secretaries of State, Defense, Treasury, and former members of Congress, a statement that (inaudible) and it's up on the web at a new website, www.usglobalengagement.org. An eighteen-month campaign called Impact '08--

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