

THE BROOKINGS INSTITUTION

BEYOND ASSISTANCE:

REPORT OF THE HELP COMMISSION ON FOREIGN AID REFORM

Washington, D.C.

Monday, December 10, 2007

Welcome and Introduction:

LAEL BRAINARD, Vice President and Director
Global Economy and Development
The Brookings Institution

PANEL ONE – RELEASE OF THE HELP COMMISSION REPORT

HONORABLE MARY K. BUSH, Chair
HELP Commission

LEO HINDERY, JR., Vice Chairman
HELP Commission

BENJAMIN HOMAN
HELP Commission

GAYLE SMITH
HELP Commission

STEVEN BERRY
HELP Commission

PANEL TWO – ELECTION 2008 AND FOREIGN AID REFORM

LAEL BRAINARD, Vice President and Director
Global Economy and Development
The Brookings Institution

DAVID BECKMANN, President
Bread for the World

JIM KOLBE, Senior Transatlantic Fellow
German Marshall Fund of the U.S.

AMBASSADOR STUART E. EIZENSTAT, Partner
Covington & Burling LLP

Moderator: BRUCE STOKES
International Economics Columnist
National Journal

* * * * *

PROCEEDINGS

DR. BRAINARD: I think we are going to go ahead and get started and let people drift in. For those of you who are in the back of the room, there are all these seats up front if you would just come up and do not worry about inconveniencing anybody. I am very delighted to be here today to host the much-anticipated release of the recommendations of the HELP Commission. We are delighted that they came out with this report. I think their timing could not be better, and particularly bringing attention to an issue that we think is of vital importance.

Over the last 2 years the HELP Commission has undertaken a very thorough and serious effort to study U.S. development and

humanitarian assistance, and their findings come at an important time as both a growing number of American lawmakers and political candidates are recognizing the need to fundamentally reform U.S. foreign assistance to meet the challenges of the 21st century. So it is my pleasure to introduce the woman at the helm of the commission's Herculean efforts, the Honorable Mary Bush. Mary Bush has served three presidents as the U.S. government's representative on the IMF Board, head of the Federal Home Loan Bank System, and also a board member of Sallie Mae. She is widely recognized for her innovative work in international finance in and out of government. And she is also president of Bush International.

It is also my pleasure to welcome many of the other members of the commission both up here on stage, which I am sure Mary will do, as well as in the audience, and I hope you will all get a chance to interact with them because I know they all worked long and hard on this report. So without further ado, please join me in welcoming Mary.

(Applause)

MS. BUSH: Thank you very much, Lael. Thank you for that kind introduction. And I also want to thank you, Lael, personally for all of the advice and time that you have shared with the commission during the course of our deliberations. It has been hugely helpful to our deliberations. And I thank you as well for hosting this event here at the Brookings Institution.

I would like to introduce my colleagues on the commission, the people with whom I have had the great pleasure and honor of working with over the last 2 years. The commission has operated with two vice chairmen. One is Carol Adelman who unfortunately was not able to be with us today, and then Leo Hindery who is our other vice chairman who will speak with you shortly. Also with us on the stage are Steve Berry to my immediate right, Gayle Smith, and Ben Homan. In addition, the rest of our commissioners, or at least many of them, are in the audience and I would like to ask you if you would please stand as I call your names. Tom Kleine, C. Payne Lucas, Jerry Climer, David Williams, Eric Postel, Alonzo Fulgham representing USAID, Bill Lane, and has Bob Michel joined us? I guess Bob is not here and hopefully is on his way. Did I miss anyone? I hope not.

I would also like to ask our staff to stand so that you can see their faces. This commission has operated with a very, very small but very highly dedicated and committed staff to produce this report and to do all of the work that has supported our deliberations. Could we get our staff to stand, please, and just let everybody see your faces?

(Applause)

MS. BUSH: I want first to say on behalf of the commission that I know all of us are truly honored to have been selected to work on this commission. As you know, it is a congressionally mandated commission. Many of the commissioners were chosen by the

congressional leadership, and some of us were chosen by the President of the United States. It is a great honor for us to have worked on what is a hugely important subject for the developing world, but also for America, and we appreciate all of you being here with us today.

From the biographies of the commissioners which I am sure some of you have seen in our report, you can see that we represent a really broad cross-section of America. We have Republicans and we have Democrats. We have former government officials and we have businessmen. We have representation from NGOs. It is a very broad cross-section. I am making that point that it is significant because I believe that that broad cross-section of people has contributed to the fact that our sessions were very fertile both with ideas and experiences and that has enriched our deliberations.

It is significant as well because I would say on 90 to 95 percent of what is in this report and in our recommendations we have unanimity. We are unanimous on 90 to 95 percent of what is here, and I think that is really significant given the fact that the views and experiences of people were so varied.

We are also unanimous in our passion about development and we are unanimous in our passion about helping America do a better job in helping people around the world. The commission clearly recognized also that development is in our national interest and that it is in the interests of global peace and prosperity. And of course America

expresses its strongly held humanitarian values through private giving and of course through foreign assistance.

Finally, I will say that this commission is unanimous in dedicating the report to Congresswoman Jennifer Dunn. Jennifer was our colleague on the commission for almost 2 years. We all know and many of you know how highly accomplished she was professionally in the Congress, in the field of law, and in other endeavors. We had a closing dinner last night and there were also so many testimonials to her personally. She was described as a stabilizing force when things got tough as an angel and as a person of grace, and these are all true. She genuinely cared about the people in the developing world who are striving to lead lives that are much more like the lives that we lead in this room and that we in America lead.

I want to thank her husband Keith Thomson. Keith is here with us today. Keith, would you stand for a moment? In the back, ladies and gentlemen on the left, Keith Thomson. Keith is honoring Jennifer's extraordinary life by establishing a foundation. That foundation is called the Jennifer Dunn Thomson Foundation for America's Future. The funds in that foundation will be directed to young people especially girls to help them enter public service. We thank you, Keith, for honoring our friend and your beloved in this way.

Now let me briefly turn to our report in more substance and give you an overview. All of my colleagues on the podium will be a lot more specific about some of the things that I will mention.

First of all, we call the report as you can see, "Beyond Assistance," and this title seemed fitting for many reasons. The problems in the developing world, the stubbornness of poverty, the threats to peace and our own security that find fertile ground in ungoverned and weak states, require much more than foreign assistance. Here are some of the things that are critical. First and foremost, our executive and legislative branches must together develop a common vision and an agreed strategy that will in actuality elevate development to an equal footing with defense and diplomacy. Early on it was clear to our commission that the United States government does a great job with humanitarian assistance and with our security programs. It is long-term development that helps to enable people to better take care of their own lives; that is where we need more focus, more attention, and to do a much better job. President Bush early on in his administration talked about elevating development or the three D's, being on an equal footing in our foreign-policy apparatus, and development is the one where we think a lot more work has to be done. In addition to this vision, this strategy, this common vision, this agreement between the executive and legislative branches that is really required, what is also required is that they have and we have the support of the American people.

I think that the evidence is already there that more and more the American people are recognizing the strong links between our own well-being and the well-being of others around the world. Many argue that there is not a constituency for foreign assistance, and I think personally that that constituency really is developing but that our leaders in the executive and the legislative branches need to really support that energy that is developing; they really need to go out and take more of a leadership position in bringing the American people along.

I think it is evident for instance that when an Iowa farmer goes to Kenya to help farmers there figure out how to use their equipment and their land more productively to produce better crops and to be able to trade globally. I think it is also evident when you have college students more and more who are coming out of school and they are saying we really want to do something that helps other people around the world. I think the energy is there. It is also there when you look at the amount of private giving, business involvement, foundations, and philanthropies, that are now involved in development in one way or another.

One of the second things that is critical is that we must have an integrated and comprehensive approach. It must encompass departments and tools across the U.S. government and must be under the authority of one institution. When we talk about this integrated approach or when I talk about it I frequently say that many things are necessary for development, but in most cases, no one thing alone is sufficient. Here is a

little example that I would like to give. In one of the trips that our commission took to visit some of our projects overseas, I visited a girl's school in Uganda and the headmaster or headmistress of the school was very, very grateful for the fact that USAID had provided money for the school. She said that without this, these girls probably would have no access to education. Then she said but the very sad thing is the following, and that is that after we get them educated, there are no jobs for them to go to. There is no way for them to create a small business on their own, so they are educated girls and they are back on the street, so to speak.

So we put a lot of money into help and if you think about it, if a person is ill with malaria or AIDS or some other horrible disease, it is very difficult for them to get up and go look for a job or try to start a small business. So you can help cure them, health is necessary, but it not sufficient. Education is necessary, but it is not sufficient. There are so many things that are necessary and that is why we talk about an integrated, comprehensive approach and a basket of tools being at our disposal in order to put together the best kinds of programs for individual countries and for regions around the world.

Another thing that is critical is a new way of doing business, a new business model, one in which the United States government is proactive in engaging with the private sector, with those philanthropies and foundations and businesses and individuals. Why is this important? It is important for many reasons. I think one of the prime reasons is that if

you have various entities that are aimed at the same objective, then what we really need to do is to leverage our individual strengths. The U.S. government is very strong at some things, the private sector, various parts of it, are strong at other things. We all have resources and I think we would do a much better job if we put those resources together and we worked more together.

The Global Development Alliance is a very tiny program at USAID that has had some extraordinary successes and we believe that we should build around that type of model. Since 2002 they have put about \$2 billion into 600 public-private partnerships and they have leveraged another \$5.8 billion in partner contributions. If we want to build vibrant private sectors in the developing world, then we have to take advantage of the expertise, the knowledge, the strengths of our own private sector in trying to bring some of that expertise to the developing world.

Another thing that is important that is very much related to what I was just talking about, and that is economic growth, job creation, and technical assistance for "capacity building." I think these are the real drivers of lasting economic development, when you help enable people to better take care of themselves. In our very first meeting at the commission, one of the things I said is that if you give a man a fish, you feed him for a day, but if you teach him how to fish, you feed him for a

lifetime. It is an old adage, it is very simple, but it is very, very true, and it is extremely true in this case.

With regard to economic development and job creation, you will find that there are several proposals in our report. One is that we pay more attention to developing and helping to finance small- and medium-sized enterprises. What we found as we studied this issue is that, as many of you know, microfinance has caught on in many places around the world and I think that will continue to grow. Then you have the large companies at the top in terms of size that frequently have private-market access. But what we also found is that there is a big missing middle, small- and medium-sized enterprises that have little access to the needed finance and to the kinds of technical assistance that is needed to build middle classes in countries around the world. So there is a proposal for joint public-private funding for small- and medium-sized enterprises.

Trade. One of our commissioners, Bill Lane, is going to talk more about that later, but of course, it is hugely important. We have to align our trade and development policies, and as we studied this issue we found that currently they are very, very misaligned. Bill is going to tell you about that.

Research and Development is another very important area. We had presentations from people at MIT and Columbia. Some have developed small technologies for clean water and for energy but they have no way of really proliferating them around the developing world. Some

have developed bigger technologies that would be important for people in the developing world. And we believe that the U.S. government through a department and a fund dedicated to technology can help to build those technologies, we can help to finance the creation of more technologies, and we can help assure that there is a delivery mechanism that those technologies can reach the people that need them. There is a lot more, but let me move on to a couple of other critical areas.

You will find that one of the things that we suggest be considered is a national security budget. The national security budget in our view would combine the defense department budget with civilian foreign affairs, the state department, AID, other agencies, roughly the 150 and 050 accounts, and there are many people in this room who are much more expert than I am on those accounts, but essentially think about it as combining the defense budget and civilian foreign-affairs budgets. What we say is that if you put those budgets together and then you allot 10 percent to civilian foreign affairs, that that would roughly double the civilian foreign-affairs budget. Why is that important? It is important for many reasons, but our defense department is really filling a vacuum that foreign assistance and the state department cannot now fill because of insufficient funding and this is a possible mechanism for being sure that the level of funding that is required for civilian foreign affairs and for foreign assistance gets to those people. Secretary Gates has even said the following. He said, "What is clear to me is that there is a need for a dramatic increase in

spending on the civilian instruments of national security, diplomacy, strategic communications, foreign assistance, civic action, and economic reconstruction and development." That is very telling when the secretary of defense is making that statement.

Next we need to rewrite the Foreign Assistance Act. It was last done in 1961. The world has changed dramatically. It has amendments and revisions piled on top that make it extremely difficult to inefficient to operate under such an act. And our Congress must address the fact that development takes a long time. It is not done overnight. It is not done within a 1-year annual budget cycle.

Then I want to talk for a moment about structure. As you know, our report gives three options, a cabinet-level department of assistance which will be covered by some of my colleagues, and two other options. One is for a major revamping of the state department, and the other is called state integration. Those second two options, state integration and the major revamping, is referred to in the report as the International Affairs Department, but ultimately I believe would still be called the State Department. What it does is that those two options put foreign assistance and development and all of the tools that are needed for development under the Secretary of State. I think that there is a lot of wisdom to that. The wisdom is in the following. I think we all recognize that security and development are very much interlinked, that is recognized even in our report, and if those things are interlinked, then

institutionally our commission strongly believes that also institutionally they should be under the Secretary of State. You cannot separate them.

Another thing that I would like to say about the possibly revamped state department, the IAG, is that it in some ways is a way of institutionalizing some of the changes that our current Secretary of State, Secretary Rice, has made, where because of the challenges in the developing world, in the weak and failing states. She brings together teams of people, diplomats, development experts, foreign assistance experts, people from the Treasury Department, and others, to put together the right sets of teams, if you will, to address whatever is happening in a particular country.

And again, you're going to hear a lot more about structure from some of our other commissioners, but I think it's hugely important to recognize that with the Secretary of State having all of those tools at hand, then we really also recognize that security and development really do march hand in hand.

What I would also like to ask of everyone is that, you know, structure -- is that we recognize that structure is one element, it is one piece of this report. And I hope that we will not get blind sided in debate -- so blind sided in debating structure that we neglect the very other -- the other very important parts of the report.

I think what's required is leadership, vision, the commitment of the executive and legislative branches, and the support of the American people. It's the type of leadership that was shown by President Bush during

his tenure. He has roughly doubled foreign assistance, foreign aid, the Millennium Challenge Corporation, the PEPFAR aid initiatives, malaria, a new trade initiative, AGOA, and we have to follow these things with even more leadership in terms of what needs to be done to really elevate development to where it needs to be in foreign affairs. And also leadership in the developing world, extremely important.

I'm going to quote the Dalai Lama, with whom I recently had an audience, I was very honored to have had that. And one of the things that he says is that, "freedom and fairness and openness and equality are not only the principals in the Olympic Games, but they are among the highest human values, a measure against which all nations should be held to account." And I think he's talking to leaders in the developing world where just governance is absolutely essential, but he's also talking to all of us.

In closing, I want to thank again all of our commissioners for the extraordinary time, and energy, and passion that they have put into this endeavor. And I want to say that as we put together this report, as we considered what our recommendations would be, that we did them in such a way that we believe that any administration, republican or democratic, can grab hold of these recommendations and do a better job of development for the U.S. government, for the American people, and for people in the developing world. And I thank you very much for your attention.

MR. HINDERY: I'm going to, if you don't mind, speak just from the chair. My name is Leo Hindery, I had the privilege of being Vice-

Chairman of the HELP Commission. I misunderstood our roles here today and was assuming that we were limiting our comments to five minutes apiece, and we were going to touch, each of us, on separate subjects.

Chairman Bush's comments are quite encompassing, and I think the important thing that we wanted to accomplish today was to elicit your comments on this very important initiative.

I'm going to say just two or three sentences on finance, and would refer you to the document. My colleague, Gayle Smith and my colleague, Steven Berry, are experts in the area of structure. My colleague, Bill Lane, much more informed than any of us in our commission on the area of trade. We stand ready to listen to you.

Let me just -- on a snapshot on finance, I'll ask Steven and Gayle to speak quickly, as well, so we can get back on track here. What was interesting I think to a number of us was the desperate views going in on the level of funding that this activity should attract. There were some nay-sayers, and I don't mean that disrespectfully, who believed going in that the budget should be substantially cut from their level; there were other commissioners who believed they should be substantially increased. So the credit of the commission as a whole at the end, every commissioner believed in an increase in budgeting from today's level. Some were more comfortable putting predicates on that, others were more free form in the conclusion they drew.

The second notable conclusion was the fundamental absence of strategic planning in the budgetary cycles. It has left our country in sort of a knee-jerk happenstantial approach to foreign assistance funding.

As you read the report, you will find substantial support for a more systematic, more combined, to use Gayle Smith's comment, a more "whole-of-government" approach. I would refer you to that.

My last comment would be on the imperative of humanitarianism. Something that many of us found very comforting was the conclusion of the commission as a whole for a \$500 million annual rolling initiative that would be available to react to immediate humanitarian crises. So in closing on that single issue of funding, which is not unimportant and deserves more time than I'm going to be able to give it. We give a lot of money by some peoples' measure. That said, we as a nation are second to last in our ODA giving as the measure of our gross national wealth or income.

I, again, refer you to our comments as to how we might invigorate that number in ways that put us back in greater standing, a conclusion that my colleagues and I universally came to, again, with differing degrees. So Steven Berry will share a few moments of comment on Structure.

I would invite Gayle to share on that, and then we'll speak to Ben Homan and Bill Lane. But we apologize for -- the moment of today was to get your Q & A and we've got to get back to that, so thank you very much.

MR. BERRY: Thank you, Leo, and thank you for joining us today. I'll try to be brief. I'm going to focus on structure. I think it's the most significant and far reaching recommendation of the commission report. Much discussion was held around that. The commissioners agreed on a lot of things. We all agree the current structure is broken, it doesn't work well, it needs to be fixed. We agree the development assistance is important, it's important to our national security interest, it's important to our national security in general, and the debate on that is over. We all agree there needs to be more resources devoted to that.

We agree that the American people deserve better than what they have right now, and there must be accountability in the structure. We applaud the Secretary of State's efforts, her restructuring efforts, but it doesn't go far enough.

We all agree that the Department of State, that AID, and the dozens of agencies that provide assistance, especially development assistance, need reform. We all agree that we need a new platform of integration, coordination, and accountability, and this included coordination at the White House.

We recognize structure is extremely important, it is important because of this coordinated consistent foreign policy program we would like to see. We had differences; some of the differences suggested that AID should be integrated in the state. The majority opined that that wasn't enough and it didn't address the real issue of a reformed State. Some

opined that the creation of a new department was the answer. The majority felt that that fell short, leaving policy and programs uncoordinated and disjointed. Both recommendations and the majority of the opinions fell short of the significant challenge to restructure and reform state itself, and that we needed to create this integrated, coherent policy.

All the commissioners agreed that development assistance must become one of the central tools in the arsenal to counter strategic and regional threats, transnational, across the border health, education, economic conditions that breed poverty and mistrust, and ultimately acts of terrorism.

So the majority consensus recommended a robust operational structure that operationalizes State called the International Affairs Department. That name was delivered in the sense that we wanted to highlight the need to rethink Department of State. We need a 21st century operational entity.

Gone are the days that the elite diplomatic corps have a cocktail reception with a foreign official and run to the State Department and write the brilliant cable back to headquarters, to someone in D.C., about what the official position is of an official in a foreign government that almost no one in Washington knows about. What will happen now is, something -- will happen in the far reaches of the corner of the world, happens in that morning, is information known to the world by noon, and that afternoon, the

President or the Secretary of State are asked to opine on it or have a position.

And we all know at that point in time that what you want to know is, what have we done, what are we doing, and what will we do in the future to address that issue. That's the reality of this diplomacy today.

And the conclusion was that we should have a new structure, a new structure that requires coordination, demands accountability, and encourages the use of development as an effective tool. And I contend to believe -- and I believe that it will also provide the resources necessary to meet those goals.

As Chairman Bush indicated, we did recommend the International Affairs Department because it would develop and build -- it would build on the lessons of the Goldwater-Nichols Act. And so real briefly, if I may suggest, Secretary of State with four sub-cabinet departments, such as the Army, Navy, and Air Force, but these four departments would be Political and Diplomatic Security, Economic Trade and Development, the third, Reconstruction Humanitarian Emergency Assistance, and the fourth, Public Policy and Consular Affairs. These departments would work together in an integrated team at each country, at the country team level. They would answer through a regional concept, with a regional Assistant Secretary to be operational in nature.

Like Defense and Intelligence Committees, there must be cross-training, there must be essential interknowledge of the different

activities if you are to expect promotion, and you will get promoted as a result of knowing more about development and reconstruction, not as -- and it will not be a dead end venue for your career.

The new structure is to be designed to survive benign neglect and hopefully thrive under intense scrutiny. That's why I think the International Affairs Department, in a reformed state, is the new way of thinking, it is cultural, it is cultural reform, and it must go beyond the assistance. I think it is bold.

I think if we can spend five years and \$100 billion developing a new weapon system or platform, we can spend some time, effort, energy, and resources designing a new platform to launch U.S. foreign policy assistance in a way that developmental assistance is supported for the next 45 years. And I will turn it over to Gayle, my colleague and dear friend.

MS. SMITH: One of the more -- Steve and myself -- we're friendly -- work together, and I'm going to talk all afternoon. I want to start out by echoing thanks to Lael and -- and the Brookings team. Many of you think you're here for the launch of and commentary on the HELP Commission Report, actually this is Lael's baby shower, and we greatly appreciate you doing all this, Lael, when you could go into labor at any moment.

And I'd also like to thank the many people here who talked to the Commission, sent information to the Commission, and particularly to the men and women I see in the audience who are serving or former members

of USAID. We care a lot about the troops, and we honor them, as we should. Our civilian troops could do with a bit more honor, and I hope we can offer that to you, because we all know how hard you work and how much thanks you get for it every day.

As Steve said, on the issue of structure, there was a lot of agreement on the mail that structure needs to answer. A majority opinion, in one place a minority and another, but another area on which everybody was agreed, two, one is that foreign assistance has to be elevated, absolutely and unequivocally. Whatever the structural arrangement, we can no longer afford a situation where it is the poor step-child of either our security policy or diplomatic policy. But second and important, it's also got to be rendered more coherent. And the incoherence is not simply a product of the fact that we have multiple agencies that manage various pots of money for foreign assistance, but because all of our foreign aid agencies throughout the U.S. government are in the game.

During the '90's, the primacy in the foreign affairs community, in addition to USAID, were our trade and economic agencies. What we've seen since the year 2000/2001 is the elevation of the role of our security agencies and the Department of Defense.

The fastest growing part of the foreign aid budget is, in fact, under DOD. And I think we thought that while it is a good thing that there is engagement across government, because development is something that cuts across the interest of all of our foreign affairs agencies. Think

about dealing with weak and failing states, for example, there's a security imperative there, there's an economic imperative if we want a global economy in which more rather than fewer countries are engaged, there's also a fundamental moral imperative given the conditions under which people living in those states survive on a day-to-day basis. So there is a role for each and every agency, but it's got to be coordinated and it's got to be coherent. Steve suggested we all agreed on the need for there to be a coordinating mechanism in the Executive Office of the President, most probably something that would draw on the resources of both the National Security Counsel and the National Economic Counsel, and serve, regardless of structure, to both provide leadership and policy vision, but also assure that there is coordination between and among agencies. I will leave it to Bill Lane, who gets quoted by -- referenced by everybody, you better give a pretty good presentation, to talk about trade, where I think the incoherence is very evident.

Second, on the role of the Department of Defense, I don't think any of us felt that there is a major plot going on in the Defense Department or that what we are seeing is an overt attempt to militarize foreign assistance.

What we are seeing is an analysis by DOD, and a vacuum being filled by DOD that is not being filled by our civilian agencies. Our view was that the ways to deal with that are in the main -- one is to make sure that our civilian agencies have the funding they need to undertake those

missions. Whether it's proper and appropriate resourcing for CRS, the new office in the State Department, which gets a lot of credit and a lot less resources, or the money that AID needs to do the kinds of things that our military is now contemplating, it was our view that one of the solutions is to up that funding against the civilian agencies so that DOD is not forced to fill that vacuum.

Second is to make sure that there is appropriate and transparent concurrence between the State Department and DOD and whatever other entity might exist in the developments here to make sure everybody knows what everybody else is doing and that it is, again, both coherent and well understood.

And third, we believe that on the legislative side, it would be wise if the Senate and House foreign affairs and defense related committees on occasion hold joint hearings. The dramatic increase in the involvement of DOD is something that is having tremendous effect in many parts of the world, it is the primary and first face of U.S. development policy. And we believe that, again, while DOD does have a role and delivers very well, we need to, if you will, civilianize that and make sure that we all know what we're doing, when and where. Third is in the arena of budget and planning, and this has been referenced by previous speakers, the notion of the unified budget, and then a ten percent portion of that being for the civilian agencies. That's a really clever way, in my view, to talk about a significant increase in resources.

But, as well, there are some other things. We've talked about a derivative of the national security strategy that would focus more on the economic and developmental functions of policy. And I'm looking at something like the QDR that is owned by the Defense Department, the Quadrennial Defense Review, say that three times fast, that will provide a vehicle not for measuring and then beating up our development agencies for not achieving sufficient results, but for planning, looking forward, and making sure that we have that coherent integration across government.

To achieve the development goals we often talk about, if you read the national security strategies of republican and democratic presidencies, if you read documents coming out of Congress, we're going to pursue missions we don't have the resources or the organizations to achieve. So I think those kinds of measures would also be helpful. I will stop here and turn over to Ben. And again, thank you all very much for all the help you've given us.

MR. HOMAN: Good afternoon. Thank you, Gayle. One of the things that form many of our deliberations as a commission was regularly bringing in front of us the faces and the names of the people that we are seeking to touch around the world.

Just in my brief remarks I want to cite four names for you. The first is Francis, a 14 year old child soldier in Uganda, a victim of the LRA. The next is Angie, a victim of domestic abuse in Lima, Peru. The next is Miguel; Miguel escaped the FARC in Columbia and is trying to restore his

life, ten years in the jungles, he's 24 years old, having lost his childhood. And the next is Mohammed, a simple rice farmer in Indonesia, he was trying to feed his family.

I would submit to you, to each of the commissioners, and I want to thank publicly the staff and the commission and those of you in the room who I believe want any kind of test to pass the Francis, the Angie, the Miguel, and the Mohammed test. Are we making a difference?

I would submit, too, and we've alluded to this a number of times, we want to get to pass the test of our own families and our own loved ones, because over and over again we recognize the linkage and the importance of this topic to our own national security. And so that impacted our discussions. I'm grateful for everybody in the room. In your presence here, you're showing your commitment and your dedication to this debate and to this discussion. The completion of this report is not the end. And if I can quote Winston Churchill, who would say, "it is not the end, it is not the beginning of the end, but it may be the end of the beginning."

And we want this debate to continue. And it's important for that debate to continue, and I think it's important to note the intelligence represented behind the different points of view. And I'm very grateful for Brookings to host this event.

Let me talk briefly about public and private partnerships, we've been talking about that. As somebody who's often times in the field working with private partners, the sense that the commission had is, one, that we

have to have a humility in our approach to foreign assistance, and we cannot do this alone.

We need private partners, NGOs, faith based organizations, private individuals, we need the engagement of those entities both here in the United States and in the field. We also need to have an outside the box understanding of foreign assistance. Sometimes the mentality can be let's simply grant foreign assistance. The mentality is, I think the phrase is, if your only tool is a hammer, then everything needs a nail. We need to think outside the foreign assistance box to think about job creation, stimulating local economies, providing the ability for growth and economic expansion in the fields, and that kind of entrepreneurship, a business model is the phrase in the report, is something that was a unanimous sense of the commission, emphasizing local ownership, local leadership, the public private partnership, and also a sense of willing to take risks, and that's one of the things that we saw as a weakness within our own foreign assistance apparatus with government, is the sense of risk aversion.

And you recognize that a business model or a business approach would be much more tolerant of failure at times and then experimentation, and then changing the model and learning from our mistakes.

The report talks about making investments and monitoring and evaluation so that we hold ourselves accountable to the American people. And I'll close my remarks by talking about a phrase that's in the report called

“Americans for development.” It's just a phrase that we use within the commission to talk about how, unless we change our perspective about educating the American population, the tax payers who underwrite our foreign assistance, we will not have a sustainable approach to increased funding. And the report talks about some very concrete ways to expand and rejuvenate, for instance, the Biden-Pell Development Education Program. You know, our recommendation in the report is that it includes the name, Jennifer Dunn in that, the Biden-Pell-Dunn Educational Development Program.

I could go on about the emphasis that we need on agricultural programs. And we may have an opportunity -- for you, C. Payne, to comment on the importance of agriculture, the importance of educational investment so we can build capacity at the leadership level in the countries that we are seeking to serve. I'll take my leave from those formal comments here. Again, I would submit to you that we have a responsibility as a community, as a commission, as a community, as people interested in this -- Does this pass the Francis, the Angie, the Miguel and the Mohammed check? I'll turn it over to Mary Bush, the Chair.

MS. BUSH: No, I think you are going to talk to us about --

MR. LANE: Yeah, and I will do this very briefly. First of all, thank you very much. I'd like to thank Mary Bush. This was a real commission. I mean if it wasn't a real commission we could have done this really quickly. We fought this out, it took two years and we're really

proud of the results here.

Everyone here talked about things we can do to make things better. What I'm going to talk about just for a few minutes with great deference to the real champion of this issue, former Congressman Jim Kolbe. What I want to talk about is how we need to stop doing harm. One of the things that we saw and we're completely unanimous on this, that when you look at U.S. Trade Policy, we have the highest trade barriers against the poorest countries. It's highlighted in the report.

I want you to take special notice of one country in particular. We all, many of you are responding to the emergency in Bangladesh as far as the cyclone is involved. And the U.S. is generous, the U.S. works hard to try to improve conditions. We just sent the military to Bangladesh, but the simple fact is we give \$80 million a year in aid to Bangladesh, one of the poorest countries on the planet. We collect a half a billion dollars in revenue from Bangladesh. It's the third highest tariff rate country in the world as far as the U.S. is concerned.

Europe's regime isn't much different. A little different focus, they tend to go after other countries, but if you look at the report the mismatch as far as aid and where we really do our best whether it's direct or inadvertently to try to restrict trade, to try to hurt people. Not try to hurt people, the effect is that we do. We have the highest tariffs against the very poorest countries.

We attempt to address that in two ways. One is we focused

on the MCC countries, because by definition the MCC countries are the most reform minded countries. They are doing the best job, trying to check corruption and make positive market-based reforms. But when you look at the MCC countries as a whole with all of the funds that have been directed toward this program, we're encouraged by the program. We're still collecting more in revenue than we are providing in expenditures. So this is something that needs to change. What we're suggesting is on a bilateral basis, no exceptions, that the U.S should embrace duty free, quota free status for all MCC countries.

We'd like to see this expanded on a multilateral basis, but we don't want to use an excuse for non-action. The Commission also says we should go beyond that and address all poor countries, countries below \$2,000 a year per capita. We realize that's a much bigger stretch and you lose a little bit of selectivity, but the bottom line is if you remember anything from this report is that we've got to stop taxing the poor. And that is where U.S. trade policy is right now.

Jim Kolbe identified this years ago, so if part of life is just repetition and amplification, we're trying to do that in a big way. At the end of the day we need to have a trade policy that is much more focused, not only on promoting trade and growth and development with the poor, but also stopping the current policy which has the direct result of hurting the poor.

Thank you.

MS. BUSH: Thanks so much. Thank you very much.

Thanks so much Bill for covering trade. We'd love to take some questions from the audience now.

I'm sure that there must be lots of them. Comments are fine if there aren't questions.

Princeton, welcome

SPEAKER: Thank you very much. Princeton Lyman, Council on Foreign Relations. Congratulations on this terrific work. Let me just ask a question about how you bring things together and yet keep things delineated. The comments, let's say the Millennium Challenge Account which focuses on a certain number of countries that are doing well, but other instruments for dealing with failed or weakened states and others for other purposes.

Now having separate entities to do that preserves those differences of approach. How in your structure, as you bring things more together as you coordinate further, do you at the same time allow for a differentiation of instruments for different purposes dealing with different countries situations and different priorities?

MS. BUSH: I'm going to ask Eric Postel to comment on that and then Gayle, you might wish to comment with regard to the Cabinet level department.

MR. POSTEL: Well, I think one of our main responses would be that one of the things that we are very concerned about is top

down, people in this town making the decisions about what programs are needed. So I think part of our answer to that is that we would like to see much more bottoms up and working in partnership. What do the countries need? And as soon as you start with that, I think some of that starts to sort itself out because it's a matter of the U.S. Country team working with the government to determine what's needed and then saying okay, what tools do we have in our basket.

Precisely where those tools are located in different organizations, you know, that is somewhat, not entirely to your – but I think that's hardly independent but we absolutely take your point that what's needed and the way we can best help really varies and that's one of the challenges with foreign assistance is, you know, what we're facing in Liberia is completely different from Ghana just down the road. So that would be, I think, part of our Commission's response.

MS. SMITH: Thank you, Princeton. I'm not sure there's a lot of difference in answering this question on whether one is one of the Majority that supported what's called this International Affairs Department or those of us in the Minority who favor a Cabinet level independent agency. But I think that the distinction is this in either case.

First, is that these different instruments need to be brought together under a single authority who can see the whole picture at the same time.

Second, there is a very strong element of the report that

hasn't been talked about here, which is about human resource development. That we have lost significant numbers of our development professionals. We have like other parts of the Executive Branch farmed out a lot of our functions so that we are heavily reliant on contractors and less reliant on the professionals that we believe we need to reinstate.

So you've got leadership, a reinstated, reinvigorated professional corps and third a longer term approach than we presently have. I think we all think the Millennium Challenge Account is a great thing, but I think we've also seen from things like the F process that categorizing countries absolutely doesn't necessarily work either and that part of what we need is the ability to assist countries, but also to respond to trends.

Something like climate change is not something that we're going to do well on if we look at out-of-patient from a country-to-country level. So I think we would envision something where you've got different resources in one place, but you've got the advantage of long-term planning.

The last thing I would say is that I think one of the things that all of us also agreed on, that we heard repeatedly from those like you Princeton who have served at USAID, is on the need for enough guidance from Washington to set the parameters, but enough freedom in the field to be nimble on the ground. And I think in many ways that's one of the most important conclusions we came away with. We did tread on that tricky

ground known as earmarks, but also looked at the equivalent of Executive earmarks, Presidential Initiatives and the need again, for there to be enough freedom on a reinvigorated professional development corps to do the long-term planning.

MR. HINDERY: -- your comment, as you read the report, Princeton, just take the MCC as an example. \$4.8 billion authorized, \$155 million spent. There's such a disconnect between ambitions and goals on the one hand, budgeting on the other, and actual spending. Yet again, none of which you find under DoD budgeting processes. And as you read the report you will find that our fixation on the annual cycle has made very difficult long-date projects and MCC is a relatively small part of the overall puzzle, but just those three characterizations of MCC. \$4.8 billion authorized, \$155 spent to date. Which is causing great consternation within Congress and yet, if you go back to the earliest manifestations of the program, it was the ambitions, none of its connected. They're all down separate paths.

So the more mundane aspects of the report in some people's minds may be its most critical outcome of all the things we've accomplished.

MR. BERRY: And if I could comment. It bothers me, we still use this word separate and I don't think that that's the right word. We know that separate is not particularly equal. I think unique. Everyone of these programs, everyone of the problems are unique to that particular

country, that particular place, that particular time. And I think what we need to look at is what are all the authorities and tools that we can bring together to create a unique response to a particular and unique and unusual situation. And that's why I think a restructuring should encourage innovation, should encourage these unique solutions in each and every country and that's why I think it has to, it has to be a unified team on the ground working with, hopefully, with the support and encouragement of the Ambassador doing individual country teams assessments within the individual country specific programs that move themselves up through the region and are focused on a regional concept.

This will make sure that you have those purple suits at the Ambassadorial level, not unique and separate by nature.

MS. BUSH: Yes, ma'am.

SPEAKER: Thank you. My name is Julie Howard. I'm the Executive Director of the partnership to Cut Hunger and Poverty in Africa. I'm very glad to hear the focus of the Commission on listening to the folks in the field and kind of the bottom up approach. The focus of my organization is Africa and one of the interesting things that we're seeing there is just an increasing focus by our African leaders on regional approaches. And as we think about the MCC, as we think about country driven approaches which have characterized as F, the F Process, I mean that's been very, very difficult to sort of square with regional approaches. And I think ultimately, especially for Africa it's going to be regional

approaches that bring the kind of trade solutions. The development approaches that we really want to see, regional approaches planning infrastructure, trade and business quarters.

So I'd like to know what in your, how did you think about that in your discussions? What are the conclusions of the report that relate to how we can better meet those regional challenges?

MS. BUSH: I could comment, but would any of our other Commissioners who haven't spoken like to comment?

Well, let me say that we certainly had a good deal of discussion about the importance of regional approaches. One of the things that we recommend in the report is that we have country development strategies, that these need to be agreed by both the Executive and the Legislative Branches but that if we also focus on regions that we may well get more economic activity going because in certain regions, of course, there are countries that are stronger than others. That are more developed, more advanced than others and they can help pull, you know, some of the other countries along.

So I think it's very, very important. Gayle, you have something to add?

MS. SMITH: Yeah, I would just add a really exciting section of the report, I mean, it's really exciting, is on the Executive-Legislative Branch relationship. Anybody outside of Washington is going to say the what?

But I think it's one we considered really important because part of what we try to get to there is what does a new Grand Bargain look like that would allow the Executive Branch to do the kind of thing you're talking about while also allowing the Legislative Branch to perform it's role in terms of insuring accountability and oversight. Because at the end of the day we've got two problems that preclude more focus on regional affairs.

One is that our Executive Branch is organized by country and we've got relations with countries and we've got desk officers for regions, but they all specialize in countries and we've got aid missions in embassies in countries and we don't really take a regional approach. And our budgeting and allocations match that in the main, so part of the ability of our aid professionals to seize opportunities and be able when it looks like COMESA is really going to emerge as a powerful entity in Africa or there is significant progress on the East African Community, is to be able to respond to that.

You can't do that very well now because aid is programmed and its in these country boxes and graphs and charts. So one of the ways, again, in this really exciting, spellbinding chapter on the Executive-Legislative Branch is how to cut the deal so that a USAID or Development Director in the field can get together with others and make the decision that this would be a good investment and have the flexibility to do that. Again, while also allowing Congress to perform its oversight role.

And I really think that's where the answer rests. In that and in rethinking the State Department or the International Affairs Agency or the Independent Cabinet Level Agency, whether we continue to organize state by state or focus more on regions and trends.

MS. BUSH: Yes, sir.

SPEAKER: Tom Hart with Data. I was wondering how the Commission handled three tricky issues which I haven't heard except for a fleeting reference from Gayle; earmarks, tied aid and donor coordination.

MS. SMITH: We're for earmarks, all aid should be tied, and donors should never coordinate.

(Laughter)

MS. BUSH: Well, we just – go ahead Steve. Go ahead Steve.

MR. BERRY: Let me address on the earmarks. We had a lot of discussion about that. Congress, you know, you have to figure out why Congress ends up earmarking and a lot of it is because they're not certain or they're not pleased with how the Executive Branch has either interpreted their direction or has acted on their direction. And I think if you have a much more coordinated policy to begin with and you have a consolidated budget account with a much more robust CBJP, Congressional Budget Justification Process. And you have a chance like we recommended in the recommendations to reset that right before the authorizers and appropriators act on the current year. You have an

opportunity to adjust those expectations and those directions and fine tune them a little more right before the legislative action.

I think it's very difficult to say Congress should not do what its Constitutional authorities are and I think it's even equally a disservice to the Executive to say the Executive should not take the lead, but you have to find that balance and that's why Gayle was suggesting we recommend you take a look at that particular section because there are some mechanisms that with good faith, both Executive and the Legislative can do a better job at that. And it also goes to the tied aid, a lot of it to the tied aid issue as well as the earmarks.

MS. BUSH: Yes.

MS. SMITH: I would just add, we looked at earmarks also in the context of Presidential Initiatives. And just anecdotally when I was at the NSC, I was in Africa and a mission director there was bemoaning the fact that over 90 percent of his budget was specifically allocated before he had even arrived in country. And I started to criticize Congress for that particularly Steve Berry and --

(Laughter)

MS. SMITH: And he, this mission director looked at me and said, well it's also you because quite frankly the White House, the President goes to Africa you need some Presidential Initiatives. We had a lot of Presidential Initiatives. And they both amount to the same thing, they're -- so we thought that trying to again, look at what a Grand Bargain

involves. Gets us to the bottom line, which is less about being anti-the-earmarks and more about giving development professionals the latitude they need to respond to both opportunities and challenges.

On tied aid, we didn't get into it aggressively, we did approach it. I mean, we opened the door to it. Particularly looking at the issue that came up sometime last year on the proposal that 25 percent of the food aid that the U.S. use around the world be freed up to be purchased in the region where a given disaster or development opportunity is and strongly supported that as kind of a way into that.

And I think very positive on coordination and I think particularly on the U.S. both honoring its commitments but engaging a bit more robustly with the rest of the international community on these issues and using our leadership to leverage more action than normal.

MS. BUSH: And I will just add just a quick comment on that and then Ben. And that is in terms of engaging around the world, we also thought infrastructure hugely important. It's a huge need. The United States clearly cannot do it alone. We do want, hope that the World Bank will engage even more so than it has. It has begun to revamp its infrastructure, investment. We hope that will continue as well as we encourage the United States government to lead an initiative with the G8 in terms of funding infrastructure.

Ben and then C. Payne.

MR. HOMAN: Yeah, just to add one other thing. The report recommends two \$500 million possibly in size accounts for the Humanitarian Crisis Fund, and then a Crisis Intervention Fund. The thought there is that those would be funding mechanisms that would at least possibly fund future initiatives or be turned so that we are not robbing some other funds to accomplish various things.

SPEAKER: And particularly development funds, long-term development.

MR. HOMAN: Yes. Right.

MR. LUCAS: I have a couple of comments. One is about infrastructure. For those of us who work in development as it relates to Africa, there is no infrastructure. We've met farmers in places like Liberia, some of whom were growing lots of food, and we asked them what you do about all this food. He said it doesn't make any difference; we can't get it to market anyway. There are no feeder roads and there is no infrastructure. So, this is a serious problem which AID has elected not to be involved in, and so has the World Bank and others. So who's going to pay for infrastructure? To change the equation overseas, this is a problem that has to be addressed now.

Secondly, it took a guy by the name of Bono to discover that Africa had a serious water problem and you can't respond to a water problem in Africa by digging a little village well here and a little village well there and not address the whole problem of water. Looking for water is

like looking for oil now. It is a big deal, it is a big business, and we have never addressed it. It was only recently that CARE decided that we're not going to take this food aid any longer. It took all these years to discover that. And when we started this discussion we said it's broken and whatever we do, there are little things to fix things in here for everybody. This damn thing is broken and it has to be addressed.

We got mission directors who have no money, and they get a little money from the ambassadors there to persuade people to give them a little money and the ambassadors are running around trying to manage foreign assistance with a self-help fund. It's ridiculous.

So I'm saying the regional things that we tried to discover in the past have not worked. We are one of the leading countries in the world on dry land farming and on irrigated agriculture. You can count the work that we're doing in irrigated agriculture and dry land farming in Africa. It's an insult. This is serious stuff and it's not to be talked out by theoreticians here; we are talking about real problems that the NGO community faces every day in Africa.

MS. BUSH: We have time for one more question I'm told. This gentleman here.

SPEAKER: My name is (inaudible) I am a graduate student. My question was the Africa-E.U. conference just ended recently and the conclusion was that there was no conclusion.

(Laughter.)

SPEAKER: And of course the problem was (inaudible) presenting aid packages to Africa without actually searching for other opportunities where that aid can work best for Africa. So I wanted to ask based on the comments that have been presented today, what new strategy is the report going to do to address issues where which aid goes where; where Africa requests that aid that it needs, and needs the aid that is best for it without us pushing our aid to them or forcing the aid down their throats.

SPEAKER: Let me try to take that up. A couple of issues discussed at the E.U.-Africa Summit, one was trade and two objections. One on the terms of the trade deal, and second, a very strong push for the first question that we had was a criticism that most of the trade agreements offered were bilateral country to country and not regional in scope. I think that the provisions that we talk about on trade that Bill referenced answer that in two ways. One, we're talking about taking the steps that are needed to rationalize the terms of trade; so if nothing else, we don't contradict ourselves between our trade policy and our development policy. That is something that Africa has been pushing for and (inaudible) has been pushing the U.S. in the same way they've been pushing the E.U.

Second, I think it rights the balance. There is this debate about trade and aid and some people think it should be trade not aid. I think our view collectively at the commission is that we needed both, but

that aid without that trade risks fostering a dependency in losing the opportunity to build those structural linkages that can allow (inaudible) into the global economy. So I think it is answered in that way as well.

MS. BUSH: Could we just take one final quick comment from C. Payne? Lael, is that okay? Thank you.

MR. LUCAS: Let me just make one comment. We have to be clear here. There are some in Africa that cannot engage in trade because they don't have the kind of natural resources that American private and other private investors are looking for. They don't have oil. They don't have diamonds, at least not to this moment, so these cases you've got to build, you've got to have aid in order to get trade later because they can't get infrastructure in, they can't feed themselves. These are serious obligations that change the equation when you compare Burkina Faso with Mozambique and Nigeria, countries that produce all these natural resources. It's aid for trade in those countries and we have to recognize that.

MS. BUSH: Lael, thank you very, very much. We thank you for coming and we thank you for engaging with us.

(Recess)

MR. STOKES: If people could take their seats, we'd like to get started.

My name is Bruce Stokes. I'm the International Economics Columnist for the *National Journal*, a public policy --

SPEAKER: Microphone's not on.

DR. BRAINARD: If you could just take a seat.

SPEAKER: Try it again.

MR. STOKES: Are we on now?

SPEAKER: Yes.

MR. STOKES: Okay, thank you.

Welcome, my name is Bruce Stokes. I'm the International Economics Columnist for the *National Journal*, a public policy magazine here in Washington, which I'm sure all of you subscribe to.

MR. KOLBE: Of course.

MR. STOKES: Yeah, right, yeah.

This session will have some commentary on the Commission Report, as well as some broader commentary on the foreign aid challenges facing both this Administration and, even more importantly, the next Administration as we look forward to the kinds of reforms that we might be able to enact going forward.

I'll briefly introduce our panelists.

To my extreme right is Lael Brainard who I think you all know and has been introduced before. We then have David, who is the head of Bread for the World, and to my immediate right here is former Congressman Jim Kolbe, who many of you know for many years was in

charge of spending for aid. So, it was congressional control over the AID budget. He's now at the German Marshall Fund.

We will be joined later by Ambassador Stu Eizenstat, who had a previous commitment and he will join us at a later part of this discussion and will have some comments at that point.

I'd like to start this by posing a question to Lael.

Lael, you worked in the White House in the Clinton Administration wrestling with a number of these foreign aid issues in the process, lots of organizational issues as well. I'd be curious to get your sense, as you think about the report, if you were advising the next President -- and I'm sure from your perspective you hope it's a Democratic President -- what would be -- what is a takeaway from this report in terms of recommendations for the next President?

DR. BRAINARD: Well, first it's a pleasure to be on your extreme right. It's a position I always try to occupy.

So, I think there's a lot for the next President and importantly -- as importantly -- for Congress to take away, and I think one of the first takeaways is that a group this diverse came to a resounding conclusion that development assistance is extraordinarily important from a national values, national interest, and national security perspective and that this needs to be elevated, and as I look at the incoming Administration, one of the biggest challenges for the new President is going to be putting a new face on how America engages with the world and the recognition here that

development assistance, and foreign assistance more generally, is one of the primary tools that we have at our disposal to really do that.

And why do I say that? Because over the last several years we've seen international polling, we have lost ground, our reputational capital around the world has taken a lot of hits, and we simply can't afford -- at a moment when demographic power, economic power, energy resources are shifting the balance of global power, we simply cannot afford to be dissipating our political capital in that way.

If you look at the soft power tools we have at our disposal, trade is going to be tough for political reasons domestically, immigration is going to be tough for obvious domestic political reasons, climate change is going to take a while and it's going to be tough as well. But what is interesting about this report on foreign assistance is that it shows there is a new bipartisan consensus on how critical this set of tools is.

In terms of specific recommendations, we ran a bipartisan task force on transforming foreign assistance for the 21st Century over the course of about two years here at Brookings with CSIS, and there are a number of similar recommendations that I hope Congress really listens to and the new President really listens to. These include things like making sure trade and aid are reinforcing each other. It includes things like leveraging that enormous generosity and power of the American private sector of American volunteers, of American philanthropists and NGOs, the faith-based community. It includes, very importantly, increasing the

capabilities -- the operational capabilities of the U.S. government on the civilian side to actually carry out, to execute well.

The one thing I worry a little bit about is that the Commission's structural recommendations might overshadow some of those. The ultimate recommendation of the Commission is one that I think is sort of a continuation of the Jesse Helms reforms of the 1990s but with much, much greater impact, and -- I think these will be controversial. I think they go into areas that other agencies are currently deeply involved in, agencies that I used to coordinate at the White House, whether it be USTR's work on trade, whether it be Treasury's work on international financial policies and policies towards the multilaterals, and what I hope is that that set of recommendations, which I think is an interesting part of the debate, doesn't overshadow some of these other recommendations which I think are immediate and where there's very, very strong immediate consensus.

MR. STOKES: Jim Kolbe, second question to you given your experience with the AID budget and your perspective from Capitol Hill. The Commission recommends a new partnership between the Executive Branch and the Legislative Branch on foreign aid, and yet it seems to me there are recommendations there that, to say the least, could be a tough sell on Capitol Hill. You've got the fiefdom issues of the various subcommittees and various committees, and any reorganization always touches on threatening those kinds of congressional prerogatives.

You've got the question of where the money comes from, out of whose hide or where do you get the funds to do all these good things, and you also have the question of earmarks that came up in the first panel. I'm curious to get your thoughts on how we go forward on that.

MR. KOLBE: Well, thank you, Bruce, and as with Lael, it's a great pleasure to be with this audience, and I want to congratulate the HELP Commission on what I think is the outstanding job they have done.

I want to make a confession before I answer the question, and that is that I've come a long way since I started working on these issues. When I started on them a little more than 20 years ago and first started hearing the phrase, I thought they kept talking about "tight aid," and I kept wondering -- I kept wondering what is "tight aid?" You know, now that I think about it tight aid and tied aid are probably pretty much the same, probably not too different there.

Your question is an excellent one, and I was thinking of it in relation to Lael's response. I think we need to -- I don't want to be pouring cold water on us today here on the work of the HELP Commission, but I think we need to be very realistic here. The next President is going to come in with a host of major issues confronting the Administration. Whether we're talking about Iraq and how to resolve that or extricate ourselves from that, whether we're talking about what we do with Iran and the Palestinian question, domestically dealing with immigration and social security, there's going to be huge issues that any President is going to

have to deal with, and I think quite -- just being very realistic, the issue of reforming foreign assistance is probably going to be down the ladder a ways.

Now, we hope with the work of good groups like this and the Commission and other work that is being done, including some projects that we're working on at the German Marshall Fund, that we can raise the profile of this and do more. But there is going to be a real problem, and it is the inherent conflict that exists with Congress.

It's not an accident that you haven't had a revision, a real revision, of the Foreign Assistance Act since the 1980s. It's no accident that that hasn't happened. There's been these interests that have had a reason to each try and protect their particular interests that were involved and have kind of prevented that from occurring. And so in -- when you get up to Capitol Hill, you get to Congress, you do have all of the conflicting and the overlapping jurisdictions. When I give a talk to groups outside of Congress and start to explain the difference between authorizations and appropriations, they just kind of -- I just lose them. They just can't quite follow all of this kind of thing, and I'm not sure in Congress we follow it very well and understand the real differences that exist there. So, there are -- you have authorizing committees, you have appropriations committees, and you have overlapping jurisdictions. There's arguments in the committees as to why they want to of course keep their jurisdiction where it is. Keeping their jurisdiction where it is means continuing the

fragmentation that we have that this report tries to address and to talk about it.

So, it's not going to be easy to overcome, and it's going to require a President who's really willing to invest some political capital in it. That's a big question mark. Will that happen? It's going to require a couple at least, two or three, key leaders in Congress who are willing to invest their political capital in bringing about these kinds of changes, and then it's going to require the support of people like you in this room and other organizations putting their shoulder to the wheel to make sure that it happens and that we get some of these reforms. None of this is going to be easy.

MR. STOKES: David Beckmann, you are the leader of a faith-based NGO with broad experience in the development world over the years. NGOs, it seems to me, operate in a world that is both terribly important but also terribly constrained by resources, by the limitations that you may have vis-à-vis some of the bigger donors, but also you have these various relationships you have with the donors. If there's reform, how would that reform affect how an NGO like yours can operate obviously in the best possible (inaudible) going to give you more resources to do what you want to do. On the other hand, reform often implies or accompanies with it a new direction which you may or may not agree with and it would disrupt your programs and your kind of relationships you've established over the years to be able to pursue what

your NGO would like to pursue. So, I'm curious, is this change only for the best for you or are there some downsides for NGOs?

MR. BECKMANN: Well, in our case, Bread for the World is an advocacy NGO, so we get no money from the government. Our purpose is to fix the government, to make it work better for poor people, so for us this is all to the good, and what most strikes me about it -- who would have guessed that the one issue on which Republicans and Democrats could agree nowadays is foreign aid? I find this just extraordinary that this very diverse Commission in fact agrees on a lot. They agree that we ought to do more for development; they agree that we need a strong, unified structure for foreign assistance within our government; and I think most importantly they agree that the President and Congress of the United States need to forge a grand bargain, that we need a rewrite of the Foreign Assistance Act, so for us it's all to the good.

I also want to advertise this supplemental report that several of the Commissioners put out which pushes a little bit further on some of the recommendations. I think it makes it even better, and I want to just flag some of the things I think are good about this.

This is Leo Hindery, Jeff Sachs, and Gayle Smith, and they argue that we ought to be clear that our goal is to reduce poverty, and I just think a lot of what's wrong in U.S. foreign assistance is confusion about goals; and especially when programs try to do both security and

poverty, poor people usually get left with the short end of the stick. So, being clear that we're about poverty would be a real advantage.

I also like the fact that they are -- this supplement calls for a bold expansion of funding for poverty-focused development assistance starting now. We do have some very effective mechanisms, so we don't have a pretext for waiting around to start putting more money into reducing poverty. I prefer the suggestion of a Department of International Development. Because the Commission as a whole says we ought to keep security and development programs separate, you ought to have a pot of money that's just for development. But if you then put it into some kind of super State Department and into a budget that includes the Defense Department and diplomacy and development, I'm concerned that you'd end up with programs with mixed motives.

Another thing I like about this report is it's stronger emphasis on cooperating with the rest of the world -- putting more money in multilateral channels; working with other donors, other governments; and using the millennium development goals as the framework for what we're doing. That's what the rest of the -- that's the way the rest of the world is thinking. It's a good framework, and the U.S. ought to use it, too.

If I may, I'd just like to talk a little bit more about the politics of getting from this really fine commission report to the real change.

MR. STOKES: Well, if I could, actually I was going to focus -
- let me focus that question a bit, okay? You're a veteran of these wars.

You know how hard it is to raise the kind of funds that this Commission Report implied are needed for development. You're also a veteran of the battles over whether it should be bilateral or multilateral in nature. We know that there's an upcoming replenishment attempt for IDA at the World Bank and it's going to be an uphill struggle, it seems to me, at least that's the early reports. So, the question is this is all well and good but why do we think we would be any more successful in this day and age with budgetary constraints, with a certain amount of cynicism about how this money is spent, that we can get -- we can convince Congress, convince the American taxpayer that they should up the ante significantly?

MR. BECKMANN: Well, I'm just -- I'm profoundly hopeful about the politics of global poverty. It is one -- it may be the only issue on which George Bush, Nancy Pelosi, and Harry Reid agree. They all agree that we should have a big increase in poverty-focused development assistance for the current fiscal year, and we have already seen, since 1999, 2000 -- we have seen a very dramatic -- not enough but we have seen a dramatic increase in assistance -- in foreign assistance but especially assistance of the kind that reduces poverty, and that's been led by President Bush. You know, if I had looked at what he said on the campaign trail back before he was elected, I wouldn't have picked him out as the guy who was going to lead our country in doing a lot more to reduce global poverty. But I think 9/11 shook us all up. Americans across

the country know that it's not smart to neglect misery in far-off places. It's just pricked our conscience. We want to do the right thing as a nation.

We've done a series of five years of polling of American voters, and a large majority of U.S. voters now support increased funding for effective specific programs to do things like help African farmers be more productive or to get all the girls in the world in school. If they're clear that you're talking about something specific and it's not going to waste money, you have big majorities of voters supporting that. And when it comes to the foreign aid reform issues, I think the voters could be even more supportive, because most voters think -- and in fact they are right -- that foreign aid is lousy. It is ineffective. It needs to be fixed. Voters -- large majorities of voters are very skeptical about using assistance, foreign aid for military and security and diplomatic purposes. They want to get the girls in school. And so I think smart politicians can craft a process of foreign aid -- you know, the next President can say look, you know, we're putting more money into this and we ought to put more money into reducing poverty around the world but more money's not enough. We've also got to use our trade policies and fix the agencies. I think that could be presented in a way that would have very broad voter support, bipartisan voter support.

MR. STOKES: Jim Kolbe, you've been on the front. You've had to go to Kiwanis Clubs in Arizona and defend foreign aid. I'm curious

again, how do you sell that? I mean, David's right. If you look at the polling data --

MR. KOLBE: Right.

MR. STOKES: -- the public -- but the reality is despite the increases in spending by the Bush Administration, we still are woefully short of any international norm.

MR. KOLBE: Right. One of the things I love about David Beckmann is his passion, his enthusiasm, and his eternal optimism, and I may be conferring just a dash of cold water on this but maybe hopefully a little bit more realism -- a little bit of realism in here.

MR. BECKMANN: Thank you, sir.

MR. KOLBE: --You're absolutely right. You know, the problem the next President's going to have, the next Congress is going to have, and subsequent ones, and you've heard me say this before at various talks that I've given, is that as entitlement spending continues to grow, it just keeps gnawing away at our flexibility and ability to do things with discretionary dollars, of which foreign assistance is a key part of that. It's always one of the things kind of at the end of the train, and it's one of the first things that can get dropped off it seems to me, and I say that as one who passionately believes in the importance of this, and I'm just saying I think the task is going to get more difficult.

I would say that since 9/11 it's been a little easier out on the hustings to sell foreign assistance. People started to figure out its

connection to national security. That's not what David's talking about and what he thinks our purposes ought to be, but it made it a little easier to go out there and sell a budget for foreign assistance and a tremendously increased budget after 9/11 -- there'll be a huge part of that going to Iraq and Afghanistan -- but to sell that increase in the foreign assistance budget, because people began to understand the linkages between failed states and terrorism and the need to try to prevent that kind of thing from happening.

It is true that the American public does support this kind of aid and the German Marshall Fund has just completed its fourth annual survey in this area and we asked some questions for two years now in a row on foreign assistance, and there is fairly strong support for this. The problem is that it's kind of diffused and nonspecific. It's when Congress starts to get down to the nitty-gritty of figuring out how much they're going to spend on building the highway in somebody's district versus how much money is going to get spent on Burkina Faso that you get down to the real difficulties of this, and that's what makes this a really tough thing to do.

MR. STOKES: Jim, as someone who has been a passionate advocate of freer trade in your years in Congress, let me ask you about a nonbudgetary AID-related issue, which is highlighted in the Commission report.

MR. KOLBE: Okay.

MR. STOKES: The Commission recommends that we lift all tariffs on products from the poorest countries, an offer we've made in the Doha Round, and so it's out there and it seems to me there's no reason why we shouldn't pursue that. By the same token, it seems to me there's an argument that could say, and has been argued by some, that the real trade advantage to be gained by the poor countries is to remove the trade barriers among themselves -- between themselves -- and while there's no reason why we shouldn't lift our tariff barriers, there is a question of if they're not willing to help themselves, if they're not willing to liberalize their own trade with each other, if you're, again, trying to talk to a voter who conceivably might lose his job because of this lifting of our tariffs, how do you answer that (inaudible) we're doing something they won't do for themselves?

MR. KOLBE: Well, I don't think it's an argument to say because they haven't done it we shouldn't do what is the obvious right thing to do, and Europe and the United States ought to lift those tariffs that we have on the poorest of countries. I think the HELP Commission's report on that and how it highlights that is really, really useful, and I hope this gets good play in Congress, because I think it's just -- it's immoral what we do in terms of the application of tariffs in the very poorest countries. The fact that we collect, like -- I forget what the number is but 20, 30 times the amount of tariffs from the very poorest countries than we actually give in foreign assistance, and that's largely, of course, because

of textiles. We shouldn't be doing that. But, bingo, you are right on target in saying the countries need to understand they can do a lot themselves by lifting the tariffs between themselves. They really damaged regional trade in East Africa, in Southeast -- in South Asia and other places, by not doing this, and we need to be very forceful in saying as we're doing this you need to do the same for yourselves if you really want to have these kinds of improvements, and we absolutely should be insisting that it is -- talk about immoral: There are many of these countries that actually impose tariffs, for example, on medicines -- AIDS medicines -- that are coming into the country. That's absolutely immoral. We don't pay them -- we won't pay that, but it still exists in some of the countries, and we should be very clear that that has got to stop.

MR. STOKES: Lael, let me ask you a question on reorganization, and it will be admittedly a cynical journalist's question.

This is a gathering of like-minded people who would like to see foreign aid have a greater priority in the American foreign policy establishment, but if I were a member of that establishment but not necessarily a member of the foreign aid branch of it, it seems to me I would look at these recommendations and I would say this is special pleading by a certain interest group that wants to elevate its power inside the bureaucracy at the expense of other parts of the bureaucracy and that I would resist that as a result. So, I'm curious to get your thoughts on reorganization either to create a department or to reorganize State and

why that's not just the special pleading of a particular set of interests, which, if one takes a broader view maybe should be resisted because it's simply what it is; you have to balance it in terms of other interests in the government.

DR. BRAINARD: Well, my sense is that many interests in the government actually would like to see the operational capabilities of the development part of the civilian government beefed up. We hear it in speeches by Secretary Gates of the Department of Defense. We hear it by the new leadership of AFRICOM. We hear it throughout the military establishment as a recognition that they need a capable partner, a capable civilian partner in areas of post-conflict reconstruction and, more importantly, in areas of what they call the shaping environment, which is to say the actual development agenda, making sure that conflict doesn't break out to begin with. So, I actually hear these calls for reform from a much broader set of constituents within the U.S. government.

If you look at what has actually happened over the last ten years or so during a time at which foreign assistance, as we've mentioned, has gone up by an astonishing amount, the actual civilian capabilities within USAID for instance have diminished and withered really. If you look at it, we've seen a one-third diminution of professional staff at USAID; we've seen staff managing contracts that have grown by something like 50 percent over this time so that they are getting further and further removed from the realities on the ground; and we've seen that the number

of technically capable personnel is falling so that now we have about 55 percent of the professional staff within USAID who are generalists, and I think within USAID there is broad recognition that this is not sustainable. If you look at the demographic composition, we're also beginning to see we are asking an agency to do more and more with less and less and with a lot of people who are able to soon retire.

So, my sense is that people will not see this as a special pleading. I think where it's difficult is, you know, sort of how ambitious do you go here. Do you try to reorganize the entire Executive Branch and pull pieces of lots of different civilian agencies into kind of a super structure or do you simply try to elevate the development voice within that community? I will tell you from my own experiences coordinating the U.S. government, the problem was not that we didn't have strong voices around the table on a lot of these issues. Trade for instance. The problem was that we didn't have a strong voice for development, because by statute a particular part of this interagency didn't have the same stature, so we never had a strong voice on development. We, I think, need to find a way, and I think the Commission is very strong on this, of elevating development right next to diplomacy and defense. I don't think anybody thinks that because State and DoD need to coordinate a lot that State should be blended into the Defense Department. By the same token, I'm not sure we want to see one piece of the government blended into another. I think what we need is three strong pieces to the U.S. foreign

affairs apparatus, and I think a lot of the recommendations in this report would lead to that if they got a really fair hearing on the part of Congress.

MR. STOKES: Let me follow up. You worked in the White House. One of the recommendations of the Commission is that there be more of -- a coordinator inside the White House on this. It's certainly a recommendation I know that I've made in print on other issues, but I must admit that in part one makes those recommendations because the kids can't get their act together so you ask Daddy to solve it, and it does seem to be -- there is a problem here of kicking more and more things up to the White House to sort out, and I'm curious how you -- why you believe that that will actually be effective in solving some of these problems or will it really still depend on how committed the President is, who the person is who's actually the coordinator. Let's face it. When Bob Rubin was the coordinator, initially it was a big issue. It was a stronger coordination function than it had been in recent years. So, I'd be curious to get your thoughts on that.

DR. BRAINARD: Yeah, I can't speak actually to the Commission's recommendations on what role they see the White House playing vis-à-vis the agencies. I can reflect on an earlier piece of work that we did on a bipartisan task force or my own experiences, and I think it's very important not to expect the White House to be operational. It's extraordinarily important for the White House not to be expected to be operational, and so there is still this very important operational

coordination that needs to take place among the agencies, and that piece I think can take place if you have an operationally capable department, which we do not right now have on the civilian side.

In terms of what the White House can and should do, I think they do well when they are doing policy coordination, and the critical question there is just is there somebody with sufficient stature and given the mandate by the President to keep their eye on the ball on the development front? And traditionally that function has waxed and waned with the interests of the President in a moment in history. What we need to do is make sure that that interest in development gets elevated in the next Administration commensurate with the elevation of those issues in our national security, our national interests, and our national values.

MR. STOKES: I'd like to welcome at this point Ambassador Stu Eizenstat. We have been --

Stu, we've been engaged in a dialogue here about foreign aid issues in general and HELP Commission recommendations in particular. If possible, I'd like to get you to join in now, although if you want to sit back and listen for a while I understand that, too.

You have been Deputy Secretary of the Treasury, you've been Under Secretary of State for Economic Affairs, you've been an ambassador, you've been on a Weak States Commission that looked at some of the problems of weak states. I would be curious to get your perspective on how reforming the aid policy process in the aid programs is

necessary going forward in terms of addressing some of the concerns you have engaged with.

AMB. EIZENSTAT: Well, I want to apologize to my fellow panelists for being late.

AMB. EIZENSTAT: Sorry to be late, but I'm glad to be here at all.

I had a couple of thoughts. First of all, I think that the Commission did a really good job of examining some of the root causes of the problems we have with our aid budget, but I think that what I'd like to do is make a few additional comments.

The first is I was struck by the absence of emphasis on increasing the amount of the pie. Perhaps that's certainly not stressed as much as I would have hoped, and I think that at a time when the U.S. remains about the lowest per capita giver of foreign assistance than any of the OECD countries that perhaps it would have been good to emphasize the need for additional resources.

Second, I do agree with the need for, as the Commission recommends, a White House position to coordinate development and humanitarian efforts. We had suggested in the Weak States Commission that I chaired with former Congressman Porter for the Center for Global Development that there be such a person in the White House who would -
- Gayle was also on that Commission -- that such a person could also be

in charge of the whole failed state issue and coordinate the range of benefits that help deal with failed state problems, which I think are increasing our national security concerns. I agree fully with Lael that the White House should never become operational. It's not an operational institution. I spent four years as President Carter's chief domestic advisor, and the worst thing you can do is to try to make the White House an operational institution. But you can make it the focal point for coordination of development assistance for nation building, for dealing with failed states, and one person or one staff within the NSC could certainly do that.

Third, on the super agency issue, I think that the arguments and the Commission Report are very well set out on both sides. I suppose I come down against it for several reasons. The first is having worked for a number of years at State as Undersecretary and as an ambassador, State is not a good manager. It's a very poor manager. And the notion of creating four sort of super sub-Cabinet agencies reporting to the Secretary who's already so stretched in terms of management capability I think would just be the straw that broke the camel's back. I don't see how the Department could manage the functions that are mentioned there.

Second is the question of the role of foreign assistance within that. As Lael knows, we during the Clinton Administration had AID folded in to State, and that was a long-running battle, and there were people on both sides. The concern I have with sort of putting all the foreign assistance programs into State is inevitably it will politicize the AID

program. It will be such an attraction for the Secretary of State to have all those additional resources to use on behalf of our political agenda, and that's not to say that the Secretary of State should not have some. Absolutely they should have some but not the entire budget. I think it's a real risk that the development function, which is so important, will be lost to the political function.

Third, one of the things that we had suggested in our report, which seems to be mirrored here to a degree, is the need for a surge capacity which the President could use on a no-year basis without having to go back to Congress. We have suggested, as you remember, Gayle, I think a billion dollars that could be used when a country, for example, was emerging from a dictatorship into a democracy or it really made progress in a number of ways and you want to quick aid to them, that can't be done by going back to Congress, going through the normal appropriations process. You lose that window of opportunity, and so having Congress appropriate up front a fund which seems to be somewhat mirrored in this Commission report with two \$500 million funds but not quite for the same purposes I think is very important. Whether Congress would do that is certainly an open question, but I think -- I mean, Jim is in a better position than anybody to know if you are up front about it, if Congress appropriated the money and required reports from the President on how it would be used, I think it would serve a tremendous benefit by making us more nimble, more flexible, and more able to intervene in helping countries just

as they're emerging from, again, either dictatorships or from failed state status.

Next, I thought that the Commission did a good job, and I'd like to sort of maybe elaborate on that, and that is bringing together a number of different instruments at the same time to help these countries that need it. That is, debt relief. And we suggested, for example, in our report that, you know, debt relief and market access and private investment all could go together. Under the existing HIPC program, for example, debt relief is delayed until governments demonstrate a stable macroeconomic policy environment. I think that there are benefits to giving, again, the President more discretion on when to use debt relief.

On market access I think the Commission is certainly correct that it makes little sense to give assistance and then to bar the products of the countries from coming into the country. So, market access is tremendously important. I think we can expand our unilateral programs. We did that, and Lael was one of our leaders in doing that with Africa and the Reagan Administration with the Caribbean.

One of the things we could also think about doing in this respect with our unilateral preference programs is trying to better coordinate them with the EU. The EU also has a series of unilateral preference programs with different rules of origin, and so if we did that together so that developing countries could have access with no barriers on quotas or tariffs to both the EU and the US markets together, it would

give the US and EU something to work on together on a transatlantic basis, but it would do so for the benefit of developing countries who often have difficulty navigating these unilateral preference programs, which differ between the EU and the US.

And then the third part is the private sector part to go along with debt relief and the market access, and here what we suggested, which I didn't quite see in this Commission Report, was for OPIC to establish a special window that would provide political risk insurance and financing at concessional rather than commercial terms and get OPIC more in the business of helping these developing countries through its insurance program. TPA could do the same thing so that you have all this working together -- private investment, debt relief, and market access. Now, that's not going to happen without coordination. The coordination should be not within the State Department, in my opinion, although it has a major role but in the White House. My experience in government is that no agency trusts any other agency to be its coordinator. Only the White House can do that coordination. So, I think that the Commission is spot on in trying to build up a White House capacity for this, but, again, I would rather do that.

And then the last point is if you don't favor super agency what should be done, and here I associate myself with, I guess, the three dissenters -- and maybe there were more -- but I think that we need to have and what we suggested in our failed state report was creating a

separate development agency, as the UK has done. It has worked quite well under Blair and Brown. I think putting aid at the cabinet level rather than submerging it within State is a better way of going. It would give more attention to development assistance and sustainable development, puts it at the cabinet table, gives it its own budget, and I think that to me would be a better way than putting it as part of a super agency which would have so many other functions that State would just trip over itself trying to coordinate it all.

MR. STOKES: Thank you, Stu.

David, a question, something we haven't mentioned here in this discussion yet, and that is the emergence of huge pots of money -- the Gates Foundation, the Clinton Foundation, new players in the game who have vast resources, in many cases outstripping the resources that are available from more traditional sources. As we think about coordination in the future and about how we restructure foreign aid, how do you relate to those groups? What do you do to make sure that people aren't going off on cross-purposes, that they aren't competing with each other for projects? Because this is private money, they're not about to take direction from the United States government, directly at least. And so how do you integrate all of that into this broader scheme of how we re-do foreign aid?

MR. BECKMANN: Well, the biggest new player is the Gates Foundation, especially now that Warren Buffet's money is in the Gates

Foundation, so they become like a Norway. They become one more major aid agency.

And then more generally, I think it is true that private philanthropy has increased. The Hoover estimates strike me as exaggerated, but private philanthropy has increased. It's part of what's happening in our country and in the world that people get that we really can reduce poverty. So, all over the world -- Africans are working hard, people in Africa are trying to make their governments work better. In our country, people are voting for candidates who want to help reduce poverty, and they're also putting up money, and very wealthy people are putting up -- you know, some of the wealthiest people in our country are putting up substantial money to help so that growth of private philanthropy is mainly to the good. I think, you know, the remittances are also really interesting where you have in Africa, you know, \$6 billion a year coming in in remittances where people often working in Saudi Arabia or Philippines are sending money back home to people. So, that new flow of money through private channels is a wonderful thing. I don't think it at all reaches the scale of official development assistance or replaces the need for official development assistance, and your question about how do you coordinate it all is you don't. It's just -- this is huge. It's huge. It's going all over the place, and so I think the Commission Report is right in saying in the future of official development assistance you've got to be aware that that's going on at the country level. In various ways you may be able to

share information that will help those private flows be somehow coordinated.

I also like what the official in that same recommendation -- Mary Bush really didn't stress what that same recommendation says about listening to people in these countries.

MS. BUSH: Very important.

MR. BECKMANN: I didn't mean -- I know you meant to -- but you stressed, you know, the private sector, the private donors, but the main source of energy is people in the poor countries, their governments and, even more, poor people themselves are working their tails off all over the world to make their lives better off, and so to be responsive to what they want, to what -- to be responsive to the opportunities that they see -- that's the fundamental reform, but I don't think you can coordinate it all. I think you got to go with the flow.

MR. STOKES: Stu, you wanted to jump in?

MR. BECKMANN: If I can just --

MR. STOKES: Yeah.

MR. BECKMANN: I mean so I'm a preacher so I --

(Laughter)

MR. BECKMANN: I think this is God moving in our time. Hundreds of millions of people are escaping from poverty, hunger, and disease. And, you know, no matter what else you think about God, this is one of the most exciting, most sacred things that's happening in the world.

So to think that the U.S. government is going to coordinate it, no way. It's something bigger than that.

MR. STOKES: It's hard to follow God here, but (inaudible), we'll try to jump in here.

AMB. EIZENSTAT: I didn't know whether he was suggesting that the deity should be at the NSC coordinating.

I mean two things. First of all, there actually is coordination between the – some of the major programs of the Gates and Clinton Foundations, for example, on AIDS and malaria and the government. The government does try to work with them, pinpoint which countries they're operating in through what channels so that the official development assistance programs are supplementing it or vice versa.

But there is a degree of coordination. But second, there's a broader point and that is we were talking or David was talking about and your question, Bruce, was on private NGOs and private foundations. ODA and private foundations are both swamped by another private factor, which is private capital flows, because the biggest change that's occurred in addition to the foundation world, even bigger, is that since the Asian financial crisis, developing countries now can get access at reasonable market terms to a tremendous amount of development financing. Sometimes it's project financing; sometimes other financing. But that is a tremendous avenue.

There, it's almost impossible to coordinate except to make sure that the recipient countries are transparent with the governments who are giving them ODA so that we know where they're going to put their private sector capital. But this is a plus and it's a minus.

It's great that the capital markets are open and it opens up a tremendous avenue of funding.

But you don't have the kind of conditionality that you do for the World Bank or for our own ODA. You don't have any requirements for transparency and anti-corruption and so forth. So, you know, we have to also try to encourage the large banks and other financial institutions to try, if not impose direct conditionality, at least not undercut what's being done by the World Bank and the U.S. and others who are trying to inject some transparency into the process.

MR. STOKES: Jim, you wanted to jump in here?

MR. KOLBE: Yeah. I just wanted to underscore what Stu just said there. When you get to private capital flows, I mean you absolutely dwarf everything all the governments are doing in foreign assistance. It's just – it just – they just reduce to miniscule amounts. So private capital flows really are the key. You're not going to – and you can't coordinate it. As David was saying earlier about the – about remittances, which, by the way, remittances are much bigger than foreign assistance flows, too, worldwide when you put them all together there.

And what's doing in private philanthropy, those things aren't going to necessarily be coordinated. But we need to understand that these are huge amounts that are flowing and are going to have a huge impact on development, long-term sustainable development, and this is really what's going to lift people out of poverty.

One last thing if I might just say just a response to what Stu alluded to earlier, the \$500 million that is in the report for a fund that failed – the foreign crisis fund, as it's called. That actually was tried, of course, by Bush during – while I was chairman of the Foreign Operations Subcommittee.

Congress looked on – and this was a Republican Congress, a Republican Administration, and Congress looked with a jaundiced eye on this idea and didn't – we just saw it as kind of a slush fund, you know, you keep trying to ask what do you plan to use this for? How are you going to use it?

And we never could get any real good answers as to where it was going to go. You knew it was going to get spent during the course of the year. It wasn't going to be (inaudible) and sat there. You knew it was going to get spent, so you'd, you know, all you can do is try and put some conditionality around about notifications and so forth.

But in the end, that Congress really didn't like that, and so it was one kind of a earmark to the Administration to get – let them spend it the way they wanted, and we didn't really like that.

SPEAKER: Stu, briefly. You said, just quickly. I mean this is in a sense beyond Mary Bush's mandate, but one thing that if we had such a White House Coordinator they could do is not only try to coordinate the private capital flows and foundations, but try to do what the newest big actor in ODA is doing in an incorrect way, which is China.

I mean what China is doing is for purely political reasons using their own workers, not even local workers, are making huge grants to developing countries as way of acquiring resources, and they're not building local capacity. There's obviously no transparency and the anti-corruption involved.

And one of the things that the White House Coordinator could work on is trying to see that when these new actors come into the field, that's great. But they ought to do so with some kind of international

standards so that you're actually helping these countries and not simply helping the recipient country.

MR. STOKES: One final question. I don't know whether this should go to Lael or to Jim. We've talked a bit about the need to provide flexibility, especially at the country level for experimentation, for risk taking, things of that nature.

The problem is it seems to me when people in the field do that, back here it can always generate uncomfortable questions from a member of Congress, uncomfortable press stories, somehow this is out of step with the current thinking, and I'm not talking about corruption. I'm just talking a pro – you know, some ambitious young AID officer in some country decides to go off and do something. It's a great idea in that country context, and it sounds loony back here.

And it seems to me that unless one can think of a way to shield that person and those – and that experimentation from the inevitable criticism it'll generate back here periodically, the message will go out to those folks don't stick your neck out or your career's on the line.

And I'm just curious if there's any way – and it may be impossible – to somehow provide some political cover for the kinds of flexibility, which I think any rational person would agree you have to have in these programs. Either one – anyone want to jump in on that?

DR. BRAINARD: Jim Kolbe can talk about the congressional reaction, because I do think this accountability piece is a very central part of that puzzle. I think the HELP Commission came out in exactly the right place on this issue. They talk about learning. They talk

about evaluation. And they talk about accountability and it's very similar to the task force that I led.

We very strongly believe that development is a somewhat uncertain field. It is not a science. And as a result, there has to be some tolerance for learning in the field, and if you're not measuring your results in the proper way, then it's wasted. And so it is – it goes hand and hand with accountability and evaluation. We try something for a few years. You measure the results. If it's not working, you stop doing it, which is part of the problem that we've also traditionally had is we just keep doing the same old thing over and over and over again, and it's partly because people are being rewarded for their successes as opposed to being rewarded for their innovation and their interesting kinds of approaches.

This gets back a little bit to the – you know, what's the role of the private sector, the philanthropic sector, and the public sector. We've been doing a lot of work in this area as well trying to figure out what's that division of labor. One of the things I think you start to observe is that the philanthropic sector right now is better able to take those risks than the public sector, and that maybe we need to be a little bit more systematic in how we think about who's taking the risks and whether we can bring the lessons in. If we can't politically take the risks, at least we should be able to have a very strong channel for learning so that it then shapes our programs.

But I think continuing to think about who can take those risks best and are we capturing the learning from them is very important.

MR. STOKES: Jim, a response?

MR. KOLBE: Yeah. Just very briefly. Of course, what you put your finger on, Bruce, is the inherent problem that exists in government, the inherent difference between government and the private sector, where you have the profit motive.

You have the bottom line. You have sales. You have quotas. You have all those things you can identify for a manager.

In government, it's quite different. I always think back to 9/11. Remember after 9/11 and the visas that arrived in the mail for Atta and some of the others a few weeks afterwards, and all the scorn that was heaped on INS for that. What's the message that's out there? Don't do anything.

And so you noticed a huge slowdown that has existed and still exists to some extent in issuing any kinds of visas to people coming to the United States. If you don't make a decision, you're not going to get criticized for it.

Somehow you've got to build into the system incentives for managers who actually do things and rewards for them who actually accomplish things that may go beyond.

I think Congress can be convinced to do that, but I haven't yet seen the model that is – a foolproof model that works yet.

MR. STOKES: What we're going to do now is throw this open to questions and comments. I'd ask you to be brief. I'd ask you to identify yourself before you ask your question or make your comment, and rather than ask a general question to the entire panel that then feels responsible to answer every question, if you could please direct your question at an individual panelist if possible. Back here in the back?

MR. AZIZ: Thank you. Massoud Aziz from Afghanistan. I'd like to first of all thank the Commission for a tremendous amount of work and also the panel here for the discussion.

I wanted to just ask the panel to comment on this fundamental issue of rather than how much spending is necessary and how much reorganization is necessary, how much shuffling of agencies is necessary, is this changing perception of the West generally speaking and the United States in particular around the world. And somebody touched upon this a bit. Isn't that the fundamental question now? What does it really take to actually, you know, change the hearts and minds of the people, and perhaps it's not just through more spending or reorganization, but those are extremely important nevertheless. Isn't that the goal?

Is it – you know, what exactly do we need to be doing in order to actually reach the people quicker and do we have time now, because this seems to be – what you're talking about seems to be a generational issue. But how much time do we have to actually be able to actually reach people today everywhere, in Afghanistan, for example, and other places to change their hearts and minds?

MR. STOKES: Actually, I might take the prerogative of the chair and answer that question myself because I'm one of the authors of the Pew Global Attitudes Survey that identified the anti-Americanism initially and continued to document that.

It's clear that when you ask the publics around the world who say they don't like the United States, their principal reasons for not liking the United States are U.S. policies, particularly the invasion of Iraq, and the presidency of George Bush.

Now that leads one to believe it seems to me that after the election and after the eventual draw down of American forces in Iraq, all of this will change.

But I think there's enough data that goes along from these surveys, much broader questions that are asked, that suggests this hole is much deeper and much broader than simply changing a couple of policies and that the next President will have a very difficult time digging the country's position in the world out of this hole that we find ourselves in.

Will aid help in that process? I'm sure it may, although to be honest, there's no data to prove that. But it is – it's going to be an uphill struggle. I think there will be probably be honeymoon for the next Administration, whoever is the next president. But the reality is there are issues here, the issues of the U.S. being the sole superpower, the issue of the United States being seen as – acting unilaterally – a range of issues that are going to make this a much more difficult struggle than I think some people would like it to be.

Here. Right here.

MS. BRISTOL: Hi. I'm Nellie Bristol. I write for the Lancet, and I was wondering – I don't know who to direct this to – but if you could talk about the presidential candidates and who's discussing this the most and maybe do just a quick analysis of who's talking about what.

MR. STOKES: Anybody want to comment on that? Lael or David?

MR. BECKMANN: I think – my understanding– this is something everybody would hate, but I think Edwards is most clearly –

Edwards and Obama have talked most clearly and most strongly about international poverty reduction; Senator Clinton has as well.

On the Republican side, I think Huckabee has and Giuliani's talked about Darfur. All of the candidates – all of the maybe the top 12 candidates have had at least made some statement about global poverty, which is a light year ahead of where we were four years ago.

MR. STOKES: Next question. Back here.

MR. ADAMS: Thank you. Gordon Adams, American University.

There's a lot of wisdom on this panel – a lot of experience on this panel. I wanted to briefly suggest a slight dissent from the observations being made about the report, and that dissent has to do with structure.

There has not been much discussion here about the view of the panel, the majority of the panel, about what needs to be done to our foreign affairs tools for them to be effective.

My own view is that the critical issue we're trying to address here is starts where you were, Bruce. It's our respect and ability to engage and to lead globally, and that's been severely compromised.

My concern is to have the most effective tool kit we can have in order to carry forth that engagement, and one of the problems we have is that right now a large number of the problems look like nails, and we're using the hammer. And the capabilities of the hammer are – that is to say the Defense Department – are being rather broadly extended in areas of budget support and foreign assistance and training and equipping without FMF authorities. So we've strengthened one tool in the toolkit a lot.

Now I had the responsibility for coordinating in the 150 area in the Clinton Administration for five years, and I'm here to tell you that the central problem of the 150 world is its Diaspora in terms of coordination. It is the multiple spigots, multiple pots, multiple turfs, multiple agency defenses. Stipulated that development is a very important objective and that poverty reduction is a very important objective, my question is why not do a Department of Development? And I have three reasons

Reason number one is it furthers that Diaspora; creates yet another institution; and if the panelists are correct in saying it's not going to incorporate the other development spigots in the U.S. government, then it really is creating another spigot and increasing our problems of coordination.

Secondly, it disintegrates rather than integrates the economic tools, because as people who've served in the government know, better than half of the funding that we put into economic assistance, and note I didn't use the word development, is ESF and FMF and INL and counter-terrorism assistance and peacekeeping operations, and seed funds for Central Europe and Freedom Support Act funds for the former Soviet Union. None of those as far as I know would be taken into this department. But they would have to be implemented and programmed somewhere.

Now unless we're going to ask this department to do what USAID does now, which is implement, in fact, a number of those programs, not specifically coordinated to a development agenda, I don't know what you do to the State Department to make it possible. You've effectively divided to the constituency not united it.

Thirdly, I think the consequence of creating a department would not be to strengthen development, but to isolate it. Because you have broken it from the rest of the foreign policy toolkit, you've effectively said to the critics of development, and there are a lot of them out there in the universe, this is a sacrificial lamb.

Now in contrast to one comment that was made on the panel, that's the agenda that Senator Helms pursued, not the creation of a major State Department. But his agenda was, in fact, to carve off development assistance – bilateral DA, privatize it, and hopefully, in his view, kill it.

So that's the agenda. Then the other question – let me just finish on that thought, Bruce, -- the other question is why not this more ambitious agenda?

Well, from my point of view, there are number of reasons why it's important to look seriously at the State Department capability.

MR. STOKES: We need to get more questions here.

MR. ADAMS: Well, but, Bruce, the view of the – the agenda that the Commission recommended has not had a hearing, frankly, all right. Why not create a major capability that isn't the State Department. The issue isn't integrating into the State Department. That's a red herring, and I agree with Stu Eizenstat. The current State Department couldn't manage its way out of a paper bag with these kinds of programs, because it's not a programmatic operational agency. Why not have an integrated, capable, operational foreign affairs agency in the U.S. government that handles political strategic relationships, that integrates our economic assistance programs – and maybe you have one cone in that – that's a

development cone; another cone that's security-related assistance. But they are related to each other.

In fact, I heard several people say that the way you sell an increase in foreign assistance is by linking it to security. Well, that's having your cake and eating it, too. You either buy Bob Gates' argument and say this is important to American national security purposes or you say I don't want to have anything to do with security, and you carve it off. But that's a contradiction that needs to be resolved.

And in conclusion, the most important thing that I think that would do, pursuing this objective, it would allow us the opportunity to seriously counterbalance the impact of the Defense Department in defining our national security strategy and in implementing it.

MR. STOKES: Lael or Stu, would you like to react to that? And not only the suggestion, but I mean is it – do you think it's politically feasible to do it?

DR. BRAINARD: Well, I think first of all the mandate of the Commission and the concern about development assistance is not to make the State Department as strong as the Defense Department. I don't think that's really, you know, what the mandate here is or the wise course.

I think we've just seen this kind of effort, well motivated, with the Department of Homeland Security. Let's pull a bunch of capacities out of a bunch of different agencies and try to recreate them elsewhere.

And we've seen what happened with that. It hasn't been as effective. It's extraordinarily time consuming. It takes a lot of political capital to get it done. And that capacity was not operationally capable at the moment that we needed it to be.

And so I worry that you're taking on a huge agenda here to get one piece fixed that could be much better fixed through a much more politically realistic approach.

Now we've seen that politically realistic approach in other countries. And frankly, I don't think the creation of DFID – we've done a lot of research on this – I don't think the creation of DFID is seen as actually isolating development. What we've seen is mainstreaming of development into the military functions of the U.K. government. DFID and the Joint Chiefs equivalent meet every week now.

DFID runs the trade meetings that are focused on developing countries. And we've seen also I think that the U.K. is now punching above its throw weight in the international arena on these issues as opposed to the U.S. where the reality is we've got a lot more money on the table than you would think from the impact that we're able to have in the international process.

So my sense is you could go for something that would be a lot more realistic, a lot more achievable, a lot less risky and get the kinds of results that you're looking for.

AMB. EIZENSTAT: Well, I would say I think Gordon made an elegant and an eloquent case for something that I think simply won't work. And again, for a couple of reasons. Even though you may well think this is not really going to be the State Department – that it's going to be some new entity. That's just not so. I mean, it's still going to be run by foreign service officers. That's going to be the core of this agency, and foreign service officers are in the business of diplomacy and not development.

Second, by trying to put all the foreign assistance as opposed to the security-related assistance under this new State Department or whatever you want to call it – it's still going to be a super State Department – you're basically ascribing to that development assistance a foreign policy implication.

It's just inevitable that the Secretary is going to want to get his or her hands on as much of that money as possible for foreign policy reasons rather than for development reasons.

And putting it separate – I mean the same thing was said, by the way, when I was at the Carter White House with HEW (Department of Health, Education, and Welfare). You know, if you pull education out, it's going to weaken it, and you're not going to get the kind of credibility you have. That's not so. By having a role in the Cabinet, by having its own capacity for a budget, you actually elevate the issue and you would do that with a separate agency.

So I think that, you know, for those reasons, I just don't think that this is a good solution to the foreign assistance problem.

MR. STOKES: C. Payne Lucas, here.

MR. LUCAS: I just want to make a couple of points.

MR. STOKES: Wait we'll get – wait for the mike.

MR. LUCAS: One is about our mandate. Our mandate from the Congress, including specifically, Mr. Wolf was if we've done so well, why do we have all these damn failures in the world. I want you to go out and look at the thing and come back some place and place accountability.

When we put the accountability on the Department of Development, I'm not sure that happened. I think Mr. Adams addressed

the real point. Let's vet – let's have a real discussion of this procedure, this recommendation. If it doesn't work, then throw it out.

But don't sit in here and say that the Secretary of State does not have the capacity to manage all this stuff, because the Secretary of State is already managing most of it when you look at the real dollars.

So I'm just saying we ought to take a real look at what has been recommended and at the end of the argument if it doesn't make sense, then dump it.

But do not say that the mandate for the HELP Commission was not to look this deep and this hard, because, in fact, it was. I might be talking a little out of school, but we already vetted some of this before some members of the Congress. You know what? They liked it.

And I would like to add one footnote. Princeton Lyman, you know he has that – I think he served as an AID mission director. He's been an ambassador. He's had all these high-level jobs. Let him comment about this here. He's got real credentials. Let him comment about it.

(Laughter)

MR. STOKES: Gayle, you want to say?

MS. SMITH: You go.

(Laughter)

MS. SMITH: Otherwise – I mean, otherwise my dissent is going to show here, because I think there's a difference – I mean I think there is a lot assumed in the notion of a super department about how it will work, and I think there's a lot assumed about functions that quite frankly

speaking for myself and I've served in government and lived overseas for 22 years, I can't opine on.

So I don't think anybody in the Commission was in disagreement about again elevating it and giving it the capabilities it needs. It's a question of who's going to do that best. And I got the microphone, so I think an independent agency will do it better, C. Payne.

(Laughter)

MR. LYYMAN: Thanks, C. Payne, and I hesitate to comment on something as complicated as this. Look. I think Stu is right about the general structure of the State Department. I think it's changed somewhat because it runs now INL programs and some other operational programs.

But it's true. It's not a terribly operational agency, and it doesn't by itself – and never has except for the short time that Stu was there as under secretary – have development expertise. Economic expertise, but not development expertise.

Now this proposal demands that you create through cross training and a lot of other things a capacity to take on development as – and I would just modify what Stu said – as a foreign policy objective; that is, it is a foreign policy objective. It may not be short-term one, and it may not be as security related, but, for the reasons that have been talked about and our role in the world and all the other things, and the importance of poverty, it is an important foreign policy objective.

The advantage of integrating it makes that point heavily. But it's going to take a lot of work to make this kind of a change, and it takes a lot of changes. Now the foreign service has historically gone through

periods where it had to change. There was a whole reform movement after Vietnam, where officers who had served in Cords (phonetic) and places like that came back and said the State Department isn't up to par in coordinating even with the military and we didn't even have an economic cone in those days. And that issued a whole set of changes.

So the changes can be made. I think the operational and structural problems are going to be important. I do think that within this, and it goes back to the question I asked in the previous panel, you've got to preserve the multiplicity of responses. That doesn't mean you don't have a coordinated policy, but you've got to be able to take some long-term efforts in some countries and institute those, even as you have other instruments for others. That's a challenge operationally, too. But it can be done. It's just, as Stu said and others have said, it's not going to be an easy structure to create.

MR. LUCAS: Can you add a little something about the culture along with that.

MR. LYMAN: Well, the culture I think here it's true I mean, having served both in AID and State, and, you know, and enjoyed, to some extent, the bi-play between the two.

AID tends and has historically, although it's changed a lot with the decline in professional staff, has this culture of one, operations, which is not a State Department strength, and a kind of longer-term focus to the extent they can – three years, four years, five years.

People in the State Department are understandably very much consumed with bilateral relationships, with what our relationship is with country X, and they can't ignore it because you're calling on that

relationship to work on nuclear non-proliferation and a half a dozen other things. And State Department people aren't operational.

But the ability to create integrated staffs that understand each other and can work together is there. It's possible. I think it can be done. And where you see it done often is in the field, where you have, when you have, good management at the country level, good leadership at the country level, you can get all the different elements to come together around coordinated consistent policies. There are number of examples where this has been done, and if it's supported from Washington besides, it can be done.

So it's not impossible. You can do it. It's just that it's going to be a major challenge.

DR. BRAINARD: Boy, is he a diplomat.

MR. STOKES: Briefly, if you could, because we want the audience to get involved here.

MR. BERRY: Yeah, and well, let me go back. I strongly support what Gordon Adams said. And I agree with Stu Eizenstat that the State Department, as we know it right now, is incompetent to do that job. It needs to be restructured. It needs to be – there needs to be essentially deconstructed and reconstructed. But you have to make it operational.

One of the things we looked at when we were talking about this new structure is you co-locate the State Department regional capabilities with our military capabilities in many areas. The person I want as this principal spokesman on the ground talking about our foreign policy initiatives is a civilian in our structure, not the military. And I think that that's a really important aspect. And there's regional assistant secretaries

that answer to the Secretary, not to the various PM, Econ or Development. It is a totally integrated team.

A couple other things that I do want to – I sort of feel like Bob Dole – say what did Bob Dole say. Let me tell you – Bob Dole says. You know, we did write the report, and we didn't suggest that the coordination role in the NSC should be operational. That was never contemplated. It wasn't, in fact, a recommendation that it be a coordination role, a strong coordination role. And it was – and I think Gayle and I and everyone agreed that wherever you come down on the Department of the restructuring, that you needed that role and you need it in spades at the White House.

So and on the money, I don't know where – what – I don't know where you read the report or didn't read the report on the resources, we strongly supported more resources, but we also supported accountability. And I think this goes back to the structure itself. Unless you have the Secretary of State and all those that directly are responding to he or she responsible for those programs that are failing or successful on the ground, you'll never have connectivity with our policy and the leadership. And I think that's one of the big problems that existing structures have not addressed, and it's the one that I think we attempt to address under Princeton Lyman's scenario, too.

AMB. EIZENSTAT: I want to make an intervention on the last couple of points if I may. I mean I think it would be a shame if we ended up coming out of this conference with the notion that we're inalterably divided because the dissenters and I think everybody on this panel all agree on the fundamental precepts that you very well articulated:

the system is broken; that it's too top down; that it's too uncertain; that we don't involve local people in the planning; and that there needs to be a coordinated effort.

Now the question of whether it should be in a separate agency or, to use a pejorative term, buried within a super state department, that's an organizational point. But we should not lose the point that we all agree that the system is broken, that Congress needs to fix the system, and 90 percent of that fix I think everybody in this room agrees on.

So I mean, I really think it's important that we not let our disagreement over whether there's a super agency or not have us not walk in step saying this system is broken.

(Applause)

MR. KOLBE: Can I just add just one – I can do mine in one sentence. So whether we're talking about a new department or whether we're talking about reorganizing the State Department, either one is going to require a lot of political heavy lifting, and my question or suggestion to all of us here is that we think very carefully about whether a new Administration and a new Congress will be willing to engage in that political heavy lifting. It's going to take a lot of our effort to make that happen.

MR. STOKES: I would echo Jim – I mean as a veteran of reorganization efforts of the trade function in the U.S. government, at the end of the day, after grand schemes are all put out there, basically the politics are too difficult. And it doesn't mean they shouldn't have been done, and certainly the (inaudible) needs organizing. But I just – it is – I

don't know how you muster the political will. And, you know, the reality is you muster the political will all those of you who are part of the aid establishment to go out there and demand it. And until you're willing to do the political heavy lifting to make that happen, this report is going to sit on the shelf, because it requires a political push that the Commissioners can't make. It requires the people who are players in the game to demand it of the system. And the reality is that's going to be a tough slog. Back here.

MR. ROSENTHAL: I haven't read the report yet, so I don't know all the details, but –

MR. STOKES: Could you identify yourself, please?

MR. ROSENTHAL: Yes. Former AID Mission Director, now at American University.

MR. STOKES: And your name?

MR. ROSENTHAL: Herb Rosenthal.

MR. STOKES: Okay.

MR. ROSENTHAL: The point was made that on the money side, setting aside the structural side, that the civilian agencies would get 10 percent – I think that – of the military agency or something along those lines. I think that type of thinking is basically wrong, wrong, wrong. To think that the basic effort of our foreign policy is military and DoD and that the civilian side is only 10 percent is just starting with a level of thinking that I think is wrong.

There are all kinds of papers out now about smart power, about soft power, and I think in the long run, we should be thinking about how our development programs, our soft power, our smart power can achieve long, long-term foreign policy goals, long, long-term poverty, long,

long-term increasing the level of a views, of opinion in the United States and it should not be a function of how much military power we put in.

Indeed, I would like to see the day when the military is 10 percent and the civilian type of activities are 90 percent.

So the thinking of the Commission I think is all wrong.

MR. STOKES: Yeah, I'd like to see the Pentagon have bake sales myself. Yeah.

SPEAKER: Can we set the record straight on that, because he misinterpreted that.

MR. STOKES: Okay. Very briefly, because I want to get –

SPEAKER: Well, I'm just saying that's not what the report says.

MR. STOKES: Oh, okay.

SPEAKER: The report says we should double it, but the measurement was that if you got 10 percent of the dollar amounts that the military had, that would more than double it.

SPEAKER: That would more than double it.

SPEAKER: So that was a measuring tool. You know, you could say it's 20 times larger on the military side than the civilian side.

MR. STOKES: Yeah.

SPEAKER: That was not a recommendation.

MR. STOKES: Sure. Right. Okay. Back here in the back.

We're going to take a couple of comments here and then go back to the panel and end it.

MR. MANTEGA: Phillipe Mantega, retired foreign service officer. Right now, I just retired. Congratulations to everybody. This

report has been great. And it's something that we have been thrashing around for 20 years. But it has crystallized many of those ideas in a very cogent way.

It also comes at a very opportune time. I think it has a very strong and powerful companion report in the Senator Lugar report on Embassies Grapple to Guide Foreign Aid. I think those two reports have to be read as two sides of the coin, because what we are discussing here at the national level is becoming unwieldy at the country level.

There is no way in my personal experience that State can handle development. They're two completely different cultural mindsets. When I was working more years ago than I want to remember, coming down from working four days in the coffee region, trying to set up a small cooperative so the farmers could be more competitive, I was walking down and I found that the rich guy who was trying to destroy everything we were trying to do was riding with my friend from the State Department who was trying to convince him to do a cocktail for the Israeli ambassador – two very different priorities.

(Laughter)

MR. MANTEGA: He was doing his job. I was doing mine. He was right. I was right. It doesn't really matter who was better or worse. Different cultural mindsets. Besides, my friend writes extremely good cables on Friday. I don't want to see them trying to guide a farmer on how to plant coffee. It would be not healthy.

Now the – a minor point, and I think you stole my thunder is when we do policy (inaudible) overseas, one thing we put at the end of the plan, of the program, is a roadmap. How are you going to get these

different policies into effect? I am concerned that this great report may die because it doesn't follow the old (inaudible) adage – the perfect is the enemy of the good. What are the priorities in this report? I doubt you are going to get any more money. ODA assistance has come down from 0.33 of GDP to 0.3 and something we pushed very hard for, which is debt forgiveness, is now 30 percent of the foreign aid going to Africa. That was not what we had in mind.

I think that additionality is not there. You may see numbers going up on one side of the coin, and going down on the other. What – how can we put priorities of – and I'm going to say something which is – I know it's not politically correct here –

MR. STOKES: Briefly, if you could.

MR. MANTEGA: Yes. What's wrong with strengthening USAID?

MR. STOKES: Okay. I'm told the Commissioners need to leave for a meeting with Secretary Rice, so when they leave it's not a statement about the panel.

(Laughter.)

MR. STOKES: So we excuse them. Thank you very much.

(Applause)

MR. STOKES: We're coming to the end of this, and so I would like to ask the panel if they have any final comments they would like to make? David Beckmann, you want to start us off or – I don't want to suggest everybody has to make a final comment, but anybody who wants to.

MR. BECKMANN: I would like to mention two legislative things that I think are relevant. One is the Global Poverty Act is one thing that can help this Commission report from becoming a book end. The Global Poverty Act has passed the House. And if we can get it past the Senate – through the Senate and signed by President Bush next year – it would require the new President to consult with all the – first, it would commit the U.S. government to the goal of cutting poverty in half by 2015. It would require the new U.S. president to convene all the agencies that have responsibilities, including the trade agencies and Treasury to submit to Congress a report on how the U.S. can be more effective in reducing global poverty.

So I think it would be a legislative way of encouraging the new Administration – I mean it won't happen, of course, unless the President wants to make it happen, but it would put a deadline on a process by which the Administration would have to start thinking about the new Foreign Assistance Act.

So I just think that's a little thing that we can do that's not obvious that it's very doable and it would help to move the process forward.

MR. STOKES: Jim.

MR. KOLBE: Just my final comment would be that everybody – everyone of the Commissioners and everybody on this panel and everyone in this room has the same goal in mind, and that is to reduce poverty in the world and we can do that by making – in part, by making our assistance more effective as well as making it larger in

quantity, but the politics of getting there and of doing that are very difficult indeed.

MR. STOKES: Lael or Stu?

DR. BRAINARD: I would simply associate myself with that comment. I think that the areas of agreement here are overwhelming, and if we have a consistent message across party lines to members of Congress, to the presidential candidates that this is something for which there is strong bipartisan support with a focus on a few areas, making sure that it's not just dollars, but it's smart dollars. It's effective dollars. I hope we don't get bogged down in a debate over structure, but really do get that broader message coming from the HELP Commission. I think it will really help give a bipartisan impetus to what I think is an absolutely critical agenda.

AMB. EIZENSTAT: Yeah just to build on the last comments I made and to reinforce what Lael said, I spent several years in the Carter Administration dealing with the issue of reorganization. And I can tell you that it is very debilitating. It's very difficult and at the end of the day, unless the substance is changed, it doesn't change anything. And what I would like to do, as I suggested, I think we agree on 90 percent of what's in this report. And we ought to suggest to the presidential candidates that they call for a rewrite of the Foreign Assistance Act to start this ball rolling.

I mean at a time when we're talking about whether this should be in a separate agency or whether we should put it into a super international affairs agency, you've got a front-page story on the Friday New York Times about the Millennium Challenge Corporation getting half the money that the President's requested, and instead of fully funding the

projects so that poor developing countries can plan, the Congress, my party, is saying they should only get half of that up front.

I mean these are so much more important, and so I'd like to see this get more attention in the presidential campaign and the way to do that is to call for a rewrite of the program. Everybody will agree on both sides of the aisle that the program is broken, and once we start that debate, then I think this Commission has got a lot of fertile recommendations which a large number of people on both sides of the aisle could agree on.

MR. STOKES: On that note, I'd like to thank you all for coming. It's been a very stimulating discussion. Thank you.

(Applause)

* * * * *