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## P R O C E E D I N G S

Mr. INGRAM: Good. Welcome to this Brookings and Modernizing Foreign Assistance Network Event. I'm doing double duty today. As I'm a senior fellow here at Brookings, I'm George Ingram, and I'm also one of the co-chairs of MFAN.

We are using the release today of a new architectural structuring for assistance that has been vetted by members of MFAN, but is being released by the three co-chairs, Tessie San Martin and Connie Veillette, and myself as a way to generate a conversation on the importance for aid effectiveness or how it's development in foreign assistance is structured organizationally.

And I say this is the beginning of our conversation because in the next month or so you'll see two or three other reports released.

And to kick us off this morning, and to set the background, it's my pleasure to introduce my colleague, Tessie. Tessie, as most of you know, is president and CEO of Plan International. She has a deep history in development, working for bilateral and multilateral organizations in the public sector, in the private sector, in academia. She's been a very constructive member of Interaction and Publish What You Fund, and MFAN.

And as somebody told me last week in referencing Tessie, she said, She's the unsung hero of setting, of influencing the development agenda on implementation for results, and she has clearly brought to MFAN that focus on results. Tessie.

MS. SAN MARTIN: Well, that's quite a setup, George. Thank you.

Well, good morning to everybody. Gosh. Well, okay, I'll stand back here, but for people my height, a podium is not a great place to be.

So, anyway, this is a really timely discussion here, as we know. The Trump administration has been undertaking a government-wide efficiency review and reorganization process. They have also with their Fiscal 2018 proposal, and the very steep cuts that are being proposed for the international affairs budget, and even steeper cuts for international development, have made these issues, efficiency and reorganization, that much more salient.

Last month, MFAN put out its guiding principles for effective U.S. assistance. Those principles have been signed onto, I think, by over 120 organizations and individuals, many of you here in this

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room, and that group has included international development organization like mine, but coalitions, private sector companies, faith-based groups, and a really solid bipartisan representation, including foreign aid administrators, two who of whom you'll be hearing from today that represent the political spectrum, three members of Congress.

By the way, these principles, which are outside, if you haven't seen them, pick up a copy. We're keeping the sign-on opened until September. Please disseminate and share with colleagues. It's a really important message to set out to set the tone for what we know is going to be a very robust discussion on the aid architecture that this event is opening, but will be one of many events that are going to be touching on the subject going forward.

This broad, bipartisan group that has expressed support and endorsements for these guiding principles, has very clearly articulated that any reorganization and reform effort of foreign assistance, and development programs has to incorporate deep consultations with Congress, the international development community. It has to be done in the context of a systematic review of program effectiveness, and in the context of a well-articulated and clear development strategy. To do anything less than that is to invite ultimately a reorganization process that is not going to be fulfilling.

Now, speaking of reorganization, so as George said, the coaches and MFAN took as their basic platform, their organizing principle, their North Star, these guiding principles, and on that basis, we formulated the proposal that we've come here to discuss that we've launched today on a new foreign aid architecture.

It is a timely conversation to be had. The objective of this session today is really to provide us as MFAN, as the co-chairs, an opportunity to further explain the rationale and what has been driving this effort, and really engage with all of you in a substantive discussion about the issues to really enrich this particular work product.

We know that this is one of several efforts that are out there today, and we are under no illusion that this is the only valid perspective on the aid architecture issue. But we hope that it's a constructive step to start a productive conversation that is very long overdue, and that I think all of us in the international development community feel is very timely, and has never been more salient.

So with that by way of introduction, I'm going to turn it over to my colleague at MFAN, Connie Veillette. I don't think that Connie is a person that needs much introduction, but I'm going to introduce her anyway. She's the moderator for this panel.

Connie, of course, is a senior fellow for Global Food Security and Aid Effectiveness at the Lugar Center. Has had a distinguished career in Congress, including serving in the Senate Foreign Relations Committee for then-Chairman Lugar, and, of course, in the Congressional Research Service.

So, Connie, without further ado, let me turn things over to you. (Applause)

MS. VEILLETTE: Thank you very much, Tessie. I share your height issue, so I should have worn my heels this morning. I want to thank so many of you for coming out. This has been a record response for us. I think it a testament to just how important this issue is, and if you want to wave to the overflow room, I believe we filled that well, so that's good.

Before I introduce our panel, let me say a few things. And this reiterates I think what Tessie and George also said. We did not construct this proposal thinking that it was entirely complete or perfect.

We put some ideas out there that we wanted to stimulate, we thought would stimulate a conversation, and so, obviously, we're hoping to get feedback from you. We're going to get feedback from our panelists, who may not entirely agree with a lot of the stuff that we propose. But in the interest I think of intellectual honesty, we wanted to have people here who we know will not entirely agree with us because that's how we create new ideas, and get a better understanding of the implications of what we're proposing.

I think that as others have said, there have been other reports coming out, and a lot of the -- from what we can tell, a lot of the recommendations of these other reports are going to dovetail nicely with what we're proposing, so we're very pleased about that.

There will be a CSIS report coming out I think in a week or so. There will be something from the Center of Global Development in the next month, I think. And then there's an ACVA and Atlantic Counsel report coming out, I think, in the fall.

So these are all things that we hope will keep the conversation going, and give us a really enriched understanding of what we're doing.

There are two aspects of this proposal or any proposal that I hope we have time to discuss today. The first one regards strategy. So MFAN has always touted some core principles, and that is -- one of them is the elevation of development as an equal partner with diplomacy and defense. Another is making aid programs more coherent and effective across government. And third is making aid programs more transparent and accountable to U.S. taxpayers, but also to citizens of the countries that we're working in.

The question of how to structurally achieve those ideals has always alluded us, and it's that coordination across government, and finding a more holistic approach to development that we're trying to capture, and I think that has eluded us for decades.

So the question is then, are we at a moment in history where making some changes big or small might be achievable?

And there's a related consideration, of course, and that is to what extent has any of this possible in the current political environment. It something that people who have previewed our report ask us all the time.

The second aspect is one of substance of the various proposals. So regardless of the political environment, are these proposals and recommendations not just plausible, but are they workable? Are they the right thing to do regardless of whether it's possible or not.

Should we be putting out bold ideas, or should we be more politically expedient in how we approach what we're doing. Is it the right path to argue for a single, consolidated,

independent aid agency, or should we be looking at something that more -- that's a more incremental approach? I think that those are all valid, valid questions.

So I think if I can get the panelists to come up, and we can get mic'd up, and I will introduce them, and then we'll start that part of the program.

Okay. So can everyone hear me? Is this one on? Okay. So while they're getting mic'd up, let me introduce folks.

I'm going to start at the far end with Peter McPherson. He was the U.S. Aid administrator during the Regan administration, and also chaired the Overseas Private Investment Corporation Board. He served in the Peace Corp as a Peace Corp volunteer in Peru, so he's had that hands on experience that we're all looking for.

He's now president of the Association of Public and Land-Grant Universities. That's the nation's oldest higher education association comprised of public research universities, land-grant institutions, and university system in the United States, Canada, and Mexico.

Brian Atwood also served as U.S. AID administrator during the Clinton administration. This was a period of time during which Congress considered and then rejected moving U.S. AID into the State Department. Before that, he was also undersecretary of State for Management.

He served as chair of the OCD' Development Systems Committee, and he is now dean of the Humphrey School of Public Affairs.

THE HON. ATWOOD: No.

MS. VEILLETTE: No. I'm sorry.

THE HON. ATWOOD: I'm at Brown University.

MS. VEILLETTE: I'm sorry. Oh, my goodness. He's at Brown University.

THE HON. MCPHERSON: He went private. That's --

MS. VEILLETTE: That's okay.

George, I hope I get -- you're here at Brookings. Right?

MR. INGRAM: I was this morning.

MS. VEILLETTE: Okay. George has had a long career as a senior staff person at the House Committee on Foreign Affairs, and he also served as a principal deputy assistant administrator at USAID.

He has experience also in the real world as VP with Citizens Democracy Corp. and as a Senior VP for Public Policy, and as interim president and CEO at AED.

He is now a senior fellow of Global Economy and Development program at Brookings, and has been co-chair of MFAN for more than eight years.

So the first thing I want to do is I know that many of you have seen, you've previewed the proposal. You've picked up copies out there, but many of you might not have read everything, and have many of the details of what the proposal is.

So the first thing I want to is turn to George, and have you go through, spend a few minutes on what is in the proposal, and then we'll start a lively, I hope, discussion on that.

MR. INGRAM: Thank you, Connie. As Tessie said, MFAN put out a set of principles three or four weeks ago to guide any aid reorganization, and we took those principles and tried to adapt them in practice.

And our goal was to allow development and diplomacy to focus more on each of their core missions and core competencies, and to reduce redundancies, and create clear lines of authority through setting goals.

And we do that in the structure by several things. We establish development as a core pillar of U.S. foreign policy. And we give the head of a new agency cabinet status. It's not a cabinet department. But just as the head of STR and the ambassador to the U.N. sometimes are given cabinet status, we would do the same for the head of this new agency.

And we consolidate various functions and organizations into two new organizations. The Global Development Agency would include most of the current functions and activities of

development and economic foreign assistance, including MCC and PEPFAR, which would retain their brand, and which would seek -- we would seek to instill the good practices of those two organizations as appropriate in the rest of this larger, more comprehensive development agency.

Probably the most dramatic, bold, questionable thing we've done is the way we have structured this new agency. And rather than it being structured by sector, or by geography, it's structured by objective, by the goals that you are seeking to accomplish.

We are hoping that this would at least create a format of how the best way is to structure an agency. We're not sure we got it right. The CSIS report has a different structuring plan, and I think it's going to be a nice conversation between those two.

The second organization we create is a global finance corporation, and this contains OPIC TDA, and AID's Development Credit Authority and Enterprise Funds. Plus, it is given additional authorities of equity, (inaudible), technical assistance, other authorities that people have noticed that OPIC's European sisters have, but OPIC does not, and make them a more functional, better actor in this space.

I think I can leave it at that.

MS. VEILLETTE: Okay. That's very good. Let me turn to Brian first. I'd love to get your reaction to the proposal, but I'd like you to do it in context of your and Andy Nacio's article that you put out in December.

In that I think you were -- yeah, we talked about this. We wanted to put out a bold proposal, but I think that what you're proposing is bolder.

So if you could give us some reaction, but in that context we'd appreciate it.

THE HON. ATWOOD: Well, first I should say Andrew and I were not constrained by the confines of the Beltway, so we wrote from Texas, and Massachusetts, and we thought it would be useful for a new presidential administration to see a bipartisan proposal from two administrators who had served at very different times, although one after the other pretty much.



And so were -- we contemplated -- I must say this before I get into any details that neither of us anticipated this particular presidency. And I'm sure he would have preferred Jeb Bush, and I certainly preferred Hillary Clinton, and either of them may have taken this particular proposal a lot more seriously. I'm not sure, although I think everything is now so wide open that anything can be considered.

But we looked at the world, and we said, okay, why -- what is the rationale for a 3D national security policy: diplomacy, defense, and development. And if you look at the crises that we're facing, they result to fragile -- they result from fragile states, from states that are so encumbered with poverty that they're basically falling apart, and they've become home for terrorist organizations and the like.

And we looked at the transnational issues that are really affecting us. We've been through the ebola crisis, HIV/AIDS, and a lot of infectious disease related crises, but also others like environmental, the climate changes that are having such an incredible effect on us and everyone on the globe.

And we looked at the numbers, increasing numbers of humanitarian crises, the refugees, the dislocated people. We looked at post-transition crises. All of these issues are best handled in our view by development professionals or humanitarian relief professionals as opposed to diplomats, and I want to say at the outset that I had started my career as a diplomat. I have a great deal of respect for foreign service officer at State, and I understand the frustrations that they're going through now not having a lot of policy guidance, not having I think a feeling that the administration appreciates the art of diplomacy which takes skills.

I recently read, and I recommend it to all of you if you can get your hands on it. The American Academy for Diplomacy sent out the so-called listening report that the management consulting firm did interviewing thousands of people at both AID and State, and you will see that a

management consulting firm does a very professional job, but they don't really fully understand the art of diplomacy in my opinion.

And so they've skipped over the various talents: intercultural understanding, language skills, reporting, negotiating. You won't see much reference in that report to those kinds of skills.

Basically, what we did as we went along. It took us about a year to write this not because we come from different parties, but because we were struggling with how to make an impact in this article. The article, by the way, is entitled, "Rethinking U.S. National Security."

But we thought first that we needed to take a much more strategic approach at if this "D" was going to be relevant. We needed to deal with this proliferation of aid programs throughout the U.S. government.

Many domestic agencies are pursuing their domestic missions overseas through programs. I believe that the beginning of all of this was when we created the coordinators at State for the former Soviet Union and eastern central Europe when basically only 50 percent of the money went to USAID, and the others was distributed to sort of keep cabinet officers from calling the Secretary of State. Keep them happy. Give them some money.

And then basically they started proliferating these programs, and I think that we've lost a lot. We need a much more strategic approach, and I think, frankly, this asterisk of consolidation should reverberate positively with this new administration.

I have the greatest respect for Mark Green, who has been appointed to, and nominated, and I'm not sure where it stands. Is he --

MR. INGRAM: He's actually going to get a business meeting tomorrow is supposed to vote on him.

THE HON. ATWOOD: I see. Well, I have great respect for him, and I think that he could very well be the leader of a new department. I'm not sure that's realistic. I have endorsed, by

the way the MFAN proposal, and would love to see USAID administrator raised to the cabinet level even with or without a department.

But this consolidation is important both for efficiency reasons, and because you want State to be focusing on its main mission, and you want AID to be focusing on its mission.

And one last point here. When I was the transition leader at the State Department in 1992, career foreign service officers presented me with a proposal that called for integrating, merging USIA, and ACTA into the State Department.

They did not specifically recommend merging AID because they said the management systems are so different. That's just the tip of the iceberg. There are so many things that are different in approach, in time horizons, in the relationship you have with the foreign ministry, government ministries, with the people of a foreign country, you really want to create a partnership. You don't want any kind of an adversarial relationship with those people which is if you're a State Department representative, you're pursuing and promoting American interest, and that's a very good, important thing to do, and it's important to have good relationships.

But you will often have an adversarial relationship with the foreign minister of another country. You really can't afford to do that and do well in the development business. So that's another aspect of what we were trying to explain, and we hope that while that article didn't get a lot of attention initially that maybe today people will look at it again and have some positive thoughts about it.

MS. VEILLETTE: Okay. Thank you very much Brian. I want to turn to Peter. On both substance and strategy, you may have a different take on all of this, so I would be interested in your reaction to the Co-Chair's proposal, and also to Brian's remarks.

THE HON. MCPHERSON: Well, I think it is a very good thing to raise the status of the AID and NAFTRA. I think there's a range of ways to do that. I go back and forth about the question of some sort of separate entity. It's true in some way in the best of all worlds back when I

was administrator, (inaudible) reported to the president, but de facto, I reported to Hagen and Schultz, and that worked very well in so many ways.

But a total separation, I'm not sure that is compatible, will be acceptable for the global leadership role that I think the U.S. should play in the view of the broad policymakers of this country that they need to be more closely related. If done well, it's the best way to do it in my view.

I also appreciate over the years the importance of Israel in getting the foreign aid bill passed, the foreign aid appropriations, and I don't think we should forget that. I appreciate that Secretary Shultz and other secretaries over the years have often been just key politically on the Hill. The AID administrator is never going to have the same stature as a committed secretary of state.

On the other hand -- and the reason I'm ambivalent about this -- on the other hand, you don't -- without some separation, you don't get the focus, the development focus that you would have, and perhaps a broader constituency, a deeper broader constituency.

So I look at it as sort of the tradeoff. I mean, there really are political costs to what is proposed in terms of appropriations, and do we get the political pickup and the substantive pickup, and that's not a conclusion -- I signed this with George's strong encouragement -- but I think I continue to remain a little ambivalent.

And I think that we -- I think about Israel. I think about the secretary of state in getting this bill done. Having worked that bill six times, I know the problem. We've got a former leader of an appropriation committee who would have some view no doubt.

I do think this issue about a program organization versus geographical is an old one. We've gone back and forth on this, and I'm not sure. We definitely (inaudible), and I get -- and the geographical organization does enhance the mission, and, in fact, coordinates, because you can't really separate agriculture from health as easily as in practice as we can in Washington.

I, moreover, think that at some juncture, we need to really get in beyond MCC country led efforts, and I don't think country led efforts will be enhanced without -- in a different structure, and that worried me. Like most of these issues, I can see certainly both sides of what we're talking about.

A couple other points. One, perhaps it's there, but I didn't read it, see it in my quick review. DOD has become a major player which absolutely wasn't the case when Brian and I were (inaudible) administration.

And DOD has resources, often has willingness, but usually has relatively little skill and knowledge of longer-term development. At different times there has been some interest in the Hill in setting up some division. We love the DOD money, but I recall in Iraq when DOD when I was there for a few months in '03, DOD had some long-term agricultural development plan. I didn't -- those were excellent young officer, but they didn't have a knowledge at all about agriculture. So how does DOD fit into this is something to think about.

It's fine with me to separate out the credit guarantee programs. AID's effort in OPIC sort of complete now, and I'm not sure that -- for roles. One thing I would say though is be careful -- the guarantee and loan programs, we should be careful about them having been a banker and sweated over deals that people in government simply don't have the -- they don't -- if I made a deal that didn't work at Bank of America, I paid for it in some way, in career, and so forth, and you -- and we're not going ever been very good at these guarantees.

So I think we've got to be careful, and also we have to worry about dollar guarantees. The reason the debt crisis was so severe in the last eighties, early nineties in Latin America was because it was a bunch of dollar debt not equity. And I think we almost seem to have forgot. I hardly heard anybody talk about it outside the financial community.

The dollar debt when local currency depreciates in value, which inevitably it does, few exceptions, is a real problem, and I just don't hear people talking about it. It just seems like it a --

we development people aren't bankers, so we should be careful not to assume we have expertise, which we don't really.

THE HON. ATWOOD: That's why you get into academia, right, Peter

THE HON. McPHERSON: Yeah, that's right. That's right. Lots of story about that one.

My last point is that as George and Connie know, I think we've got to -- as we go forward with discussion this proposal, which I think is interesting and constructive, I think we have in mind that the real battle, the immediately battle, is occurring right now within AID and State, and Green certainly needs all the outside intellectual and other help that we can give. I'm sure he wouldn't want us to express it quite like that, but that's the reality. We need to work on the Hill, and MFAN which has status due to the leadership for a long time of really excellent people, I think you should complement this report with something very concrete on what we do in the interim. CISS has a report which will come out soon which will do a better -- which will do a job on that, but we need to talk about not just the status quo, but improving it as interim measure. We need to get part of F part of AID. We need to get rid of all these special assistants. Lord know any management consultant could have told them that up front.

We need to consolidate the budget and the policy structures. That lesson has been learned again and again in government, but we do it wrong in the current system. We need to keep HR separate. We need to keep IT separate. There's a bunch of thing that -- and MFAN should lay that out. You do, but it's the focus.

So I would argue that you need a dual focus for the longer term, and the immediate and give them both real interests.

MS. VEILLETTE: Okay. Great. I want to come back to you because he raises --

MR. INGRAM: I just want to say something to Peter.

MS. VEILLETTE: Okay.

THE HON. ATWOOD: And that is, I want to say -- I want to claim success with Peter, because in our private conversations, he never used the term. "interesting and constructive." for our proposal. (Laughter).

But I've always said that about you. (Laughter)

MS. VEILLETTE: I would really like you to -- new reaction, because Peter raises some legitimate concerns. And Brian did a great job contextualizing all this with what's going on politically and globally. So what's your reaction?

MR. INGRAM,: Couple reactions. First of all, acknowledge that what Peter is talking about are the importance of AID and the State Department working together is correct. And we deal with that in the proposal by the secretary of state providing foreign policy guidance to the director, by the (inaudible) chairing and advisory committee that sort of provides overall guidance to the AID agency.

And we also do it by adopting what is known in the defense areas as a Goldwater Nichols exchange, which was imposed by the Congress probably 20 years ago on the military against their better judgment, and now they're quite supportive of it, and that is for advancement to senior staff, senior ranks. You have to do service in another military agency.

And we would do that -- we don't go into that specificity, but we talk about an exchange of personnel between State, AID, and the Defense Department, and probably other agencies in order to build up a cadre of expertise so that people in the State Department know how AID does business, knows who to call there, and can provide that advise on a daily basis.

I think -- do you want me to get into the politics of this now or --

MS. VEILLETTE: Sure.

THE HON. ATWOOD: That's a little different, George, though than the congressional discussions that sometimes occurred of working out what was going to be the role of DOD in

countries versus AID. I've forgotten the name of the two congressmen that sponsored legislation 15 years ago to try to do that.

You're never going to be able to have DOD have in any depth of a development perspective.

MR. INGRAM: Right.

THE HON. ATWOOD: But yet we need DOD for emergency work.

MR. INGRAM: Right.

THE HON. ATWOOD: We need it badly, and they can do it wonderfully and faster often sometimes. But what is the role of DOD versus AID creative development efforts? And I think -- anyway, that's different than having a Goldwater Nichols sort of exchange of staff.

MR. INGRAM: Yes, that's right.

THE HON. McPHERSON: Could I just a brief before you get into the politics, I know people here don't really want to hear much about politics right now.

I think about the National Security Council principles meetings where the defense secretary sits there with the chairman of the joint chiefs. Usually on the hard security side, you've got the CIA director there, and you've got others. Even the secretary of state tends sometimes to be on the hard side of security.

I think that the relationship between a cabinet officer, head of AID, and the secretary of state is going to be a lot more respectful, and they will share more ideas at that table which I think is really important.

The other aspect of this is that an AID administrator or a cabinet secretary level who has a mandate is going to be able to discuss policy coherence or development issues, and at least have a voice in that room. It's extraordinarily important that we not contradict ourselves.

I'll never forget there are several example of this, but during my period when I wasn't aware that the Agriculture Department was going to dump a lot of wheat on Russia when we were



trying to help Russia privatize it's agriculture sector. And I found out about it too late. I went over to see Dan Goodman, and he said I hadn't thought about it that way. Sorry, but's a done deal at this point.

There are so many policy coherence for development issues that need to be raised. The AID person may never win those battles because there's a lot of domestic politics involved.

There's a model for all of this, which is, of course, diffed in the UK. I think that's been very successful. It may be little less successful now because they're struggling with a lot of things, including Brexit, but I think that it was so successful that the Tory government when it came in it didn't like the proposal because it was a Labor proposal, but they basically adopted it, and came away with people like Andrew Mitchell running that place, and liking this relationship very well, and they found that the foreign secretary and the head of Differed were together 99 percent of the time in cabinet meetings.

And I think that's what would happen here, but -- and again, one point about the AID administrators never going to have the clout as the secretary of state maybe, but if you've got a former CEO of Exxon, and a former four-time member of Congress like Mark Green, maybe Mark Green would have more status on Capital Hill than Rex Tillerson. (Laughter)

MS. VEILLETTE: Which leads us right into the politics anyone wants to talk about?

MR. INGRAM: Well, you know, Brian when you and Andrew published that article in December, you got very little audience.

THE HON. ATWOOD: Sadly. Sadly.

MR. INGRAM: Sadly. And not surprisingly. And last year MFAN put together and agenda (inaudible) agenda that we were going to work on this year. Late January we put that on hold because we realized that politics had totally changed, that the normal nature of business was being totally disrupted, and that we needed to focus on not the nice little steps that could be taken to make assistance more effective, but we need to focus on the big picture because the big picture was being

challenged. Both the budget was being challenged, and the organizational structure was being challenged, and that we needed to do something more than defend the status quo. And the best strategy was to put out a bold proposal that would provide some fodder, some new thinking for people on the Hill, in the media, in the development community, in the administration, and demonstrate that there were alternative ideas to merger, and why merger didn't make a lot of sense.

What we have seen in the last six weeks is people coming to this space. CSIS has this report. It is being sent to Senators Young and Shaheen. I was at a breakfast with Young, a USDLG breakfast with Young this morning. He was very engaged in this issue. The chairman of the House Foreign Affairs Committee and his staff seemed to be engaged in this issue.

People on the Hill are starting to pay attention to this, and I hear indirectly that people in the administration are paying attention. So when you have a period of disruption, chaos, sometimes that's the right time to create, to push new ideas, and to -- if everything is sort of flown up in the air, there is the opportunity to make suggestions as to how all those pieces could fall down into a coherent structure.

So I think there's a real opportunity out there to move this agenda in a constructive way.

MS. VEILLETTE: Okay. Let me do one more of my questions, and then I want to open it up and get questions from audience. And I think we have folks with microphones somewhere back there.

So, okay. I have to choose between of two just brilliant questions, and the difficulty is that we've touched on a number of these. Let's talk a little bit about the process of restructuring and reform.

Both State Department and USAID have become more transparent and accountable over the last decade or more. I think one of those has made greater progress than the other on those counts.

But this whole reorganization process that the administration has kicked off is rather okay. I mean, we just don't know what's going on. Interim reorganization plans went to LMB at the end of June, but we don't know what's in it. We keep hearing rumors don't worry about the State Department subsuming USAID, that that's not in the secretary's plan, and my response is don't get too complacent on that because Rex isn't the only game in town. That we've got the NSC (inaudible), we've got the White House that may have different ideas on that.

And I actually do see members of the community getting complacent on that. So, you know, Brian, you were administrator during the last major reorganization. Do you have any lessons learned, advice that you can give us perhaps like why USAID was able to maintain its independence then, whereas USIA got folded in, for example?

THE HON. ATWOOD: Well, I still have a lingering headache from that experience. I never -- I thought when I became AID administrator that I might have some battles with people like Jesse Helms. In the end, he got me, but I never thought I would be having battles with my own colleagues at the State Department many of whom were personal friends from the Carter administration.

And I just think they -- I came to AID with very little knowledge of development. I'll be very honest with you. I had knowledge from having been a foreign service officer in the Ivory Coast where I watched the Small pox eradication thing go on, and I did have enough knowledge of democratic development because I was head of NDI, but I really didn't fully understand concepts like sustainability and the rest.

And so I had a very fast learning curve that I had to go through. But many foreign service officers don't fully understand. They do understand resources. They do understand how resources are used in diplomacy. They're used to influence the behavior of others, and they want their hands on resources to do that, and much of it is political.

And I believe the State Department needs more resources for that purpose. But it's not the same as development, and it's not long-term. It's very short-term. If you're a foreign officer, and I was one, what you want to do is accomplish something within the three-year assignment that you have so you can leave something behind and maybe get a promotion.

You also want to be involved in crises, and State Department is a crisis oriented organization, whereas, AID is looking 10, 15 years ahead, and looking how those investments might change the realities on the ground.

I think that USAID makes such contribution in terms of prevention. If you look at the world today despite on the problems of the population increases that have caused these refugee flows, there are many more middle income countries that are able to raise domestic resources for development on their own. We need to adjust ourselves, it seems to me, to look at this idea of beyond aid. What do we do in middle income countries where there's still a poverty, and focus most of our ODA on the fragile states, it seems to me.

But again, if you're a part of a state, and let's assume the worse that you are merged in the same way that USIA was merged, basically it's going to be a State Department or political appointee who is the assistant secretary for Africa who is making decisions as to where the money goes.

I think that would be just -- we would lose so much in terms of what we can contribute. I think the world today is overwhelmed with crises. The U.N. is overwhelmed. All of the multilateral organizations, all the bilateral donors are totally overwhelmed, and we need structures that can serve the purpose of preventing than just dealing with crises.

AID is the model for that, and in addition, they also see crises as evolving over time to transitions, and you need a different approach to a transitional situation then into long-term development.

And that concept exists within the minds of development professionals. It's a sort of different orientation. I teach a course on diplomacy. We teach you get a negotiating segment to do this and that, can try to teach some of the skills of diplomacy, and I find that to be an extraordinarily important mission, and I think you will drag down that mission if you merge AID into the State Department.

And secretary of State, if he's got headaches now is going to have many more if he has to worry about some contractor that's angry and has a lawsuit against AID because they didn't get, you know, the subtract that they wanted.

So I think that those are considerations that have to be very important.

MS. VEILLETTE: So to you think that policymakers understand that difference, the difference in mission, the difference and the difference in time frame enough to prevent a merger if that gets put on the table?

THE HON. McPHERSON: I think -- and I give a great deal of credit to the successors of Peter and myself, to Rashad to Gail, to Andrew -- every single person that's come into that job has improved. The results -- we started the results of orientation during my tenure, and it's so much better now than I was. We don't want to throw that away. We don't want to throw that away, and I know that Mark Green appreciates that.

So I do think that people on the hill, there's more bipartisan support for USAID than there ever has been, much more than I was there. It was a lightning rod, and I remember Mitch McConnell saying let's do away with the agency. It's a dinosaur and going up to the first hearing and taking a big dinosaur out of my bag and putting on the table and saying USAID used to look like this, and I took the smaller one out and said it looks like this now and we're making progress, and, of course the next day in the Washington Post, it was leaked that the AID administrator called his agency a dinosaur. (Laughing)

MS. VEILLETTE: Right. Peter or George, you have any comments on the question?

THE HON. McPHERSON: Well, it's critical that we keep -- that there be the separation because of the different functions. I think one -- whoever hears of USIA anymore anyway. It would be a terrible mistake. It's a terrible management mistake because the secretary -- the Department is a policy structure not an operational structure speaking broadly, and I just think it's a misfit, and I hope it's understood. I'm not sure all of the senior people of State do understand that. My very smart colleague, Eagleburger, who is really a great man, really never really bought the idea that AID should be separate, which I spent hours arguing about it, but I will have to fight for this.

I appreciate George's comments about how this -- the role of this report, and I'm very hopeful that that's the way it will work out. This is a time of turmoil, a time when people are trying to get their footing on many issues, and, perhaps, we can get some new ideas pulled in here.

MS. VEILLETTE: Okay. Great.

THE HON. ATWOOD: Yeah, I think at this time when U.S. leadership in the world is in question, one of the aspects of consolidation and a cabinet level director, is the fact that the current spread of U.S. Development functions across as many as 20 U.S. agencies ends up the U.S. not playing at its weight internationally. And if there's an international conference, there's a big debate within the administration who goes? Who represents us, an undersecretary of state, or head of AID, or head of MCC, or somebody from HHS? And if somebody comes, if a foreign head agency comes to Washington, and they want to talk HIV/AIDs, where do they go? You know, they probably have to go to four different agencies to have the conversation.

And I think Brian mentioned the example of Diffid. Diffid plays above its weight internationally now because you've got a cabinet level officer who happens to have political sway usually within his country, and can speak for 90 percent of what the Brits do internationally.

And I think we need that same high level profile person who can say I speak for the United States on development issues for the U.S. to get the full leverage out of the money that it invests in development.

MS. VEILLETTE: Okay. Great. That was a good discussion. I'd now like to turn to the audience, and I am not going to remember who came first, but I saw your hand shoot up first, and then I think back there, Sam, and then over, (inaudible). So if you could stand up and say who you're with, or who you are, and then your question.

MR. CUNRAH: Thanks, Connie. I'm John Cunrah ) with the Hunger Project. I want to add a follow-on question to your point about the, sort of the process, the roadmap for having these kind of structural changes.

How much of this would require a change in the Foreign Assistance Act? Because it seems like a lot of those chunks of development action are in current legislation, and how much of it could be done at the executive level? I guess a lot of the sort of dispersion that you were describing, and the post-1991 dispersion, that could probably be rolled back through executive action, so how do you all see that kind of process were it to happen kind of how would it happen?

MS. VEILLETTE: Okay. George, you have an answer to that?

MR. INGRAM: I actually have the answer to that. We anticipated your question. And three weeks ago we gave our plan to a former legislative counsel from USAID, and he has produced a bill that is 30 pages long, 40, 35 pages long?

MS. VEILLETTE: 20 or something.

MR. INGRAM: Something like that? Okay. Twenty. Maybe it's only 20. The answer is there are a bunches of fixes that need to be done, but you could do it by amending the current Foreign Assistance Act and some other acts.

MS. VEILLETTE: Okay.

MR. CUNRAH: All within the Foreign Affairs Committee structure on the Hill?

MR. INGRAM: Yes. That's right. That's right?

MS. VEILLETTE: I saw Sam, and then we'll come over here, and I don't know who among you was the first up. Okay, Sam.

MR. WORTHINGTON: Hi. Sam Worthington, Interaction.

First, kudos to MFAN for this report, and pulling all these threads together in a coherent way of looking at US foreign assistance.

That's a two-part question. The first one is the context of the budget. I mean, the president's skinny budget clearly had some policy statements in it. There was a 30 percent plus reduction.

Assume that the president is going to come back for the next three years with a similar tightening of the budget, and look at the reorganization within that context of significant less resources.

Are there ways in your proposal to look at savings where you're not going to see a significant harmful impact on the programs? So looking at this from an impact perspective on people's lives, whether it's helping a government through a democracy process, or a refugee program, or individuals benefitting from PETFAR . If their intent is smaller government, can one eliminate the negative impact that we're going to see on people's lives, and on the role that foreign assistance plays?

MS. VEILLETTE: George.

MR. INGRAM: Well, let's jointly answer this. I think that last -- the way you put it at the end, if you reduce the budget by 30 percent, would the reorganization reduce the impact on individual's lives? No

Now, our assumption in drafting this proposal is not that not going to be a 30 percent decline. That the Congress is going to do for 18 what they did for 17, which is basically straight line the budget and tinker around the sides. You know, I don't dream out that far.

And there are efficiencies in some elimination of programs in this plan. Would it make up for 30 percent of the budget? No. It would make up a little bit of the budget.



THE HON. ATWOOD: Could I just also add -- thank you, Sam, for asking the question, because when I was around, and when Peter was around, we didn't have MFAN, we didn't have interaction to the extent that interaction is so active today. We didn't have the U.S. Global Leadership Council.

These organizations have created a constituency for development and humanitarian response that never existed back then, and I think that constituency -- I'll never forget, I won't name the person, but a secretary of state, saying to me, Brian, lay off. I care about your programs too.

I mean, the State Department regrettably doesn't have as much of a constituency in some sense as does, as AID does. And that I found crucial when I was trying to defend AID from being merged into the State Department. It was really amazing the people that came out of the woodwork to support, and that's happening now in a much more formal way, and thanks to these organizations that I just mentioned.

MS. VEILLETTE: Okay. We're going to come over here. You all go up in exactly the same time. So go ahead. You're standing.

MS. ZACK: Thank you very much. One, I want to thank you for the work that you have put into all of this. I actually do have to respectfully disagree with the consolidation (inaudible) with OPIC with OPIC as you can imagine.

I'm Lee Zack. I was the former director of USTDA, and currently a professor at Georgetown teaching international project finance.

The question about efficiency and small government I thought was a good one. And USTDA is one of the agencies that is known for being efficient and effective. Clearly, I think consolidation would affect its effectiveness.

In particular, USTDA was created actually to be disruptive. It has a dual mission which is economic development on one side, but focusing on U.S. exports on the other. So it doesn't really fit into any box, and so I really appreciate the difficulty people have.

I also noticed that no USTDA director has signed onto this plan as well. And as a matter of fact, a good part of the financing that is being done by USTDA is actually being done by the host country, being done by the private sector, being done by Exim Bank, being done by other development financing agencies, and I don't think that you would want to lose that, and I think you would if it were consolidated with other agencies.

And I think the last thing is it creates a bureaucracy for agencies like USTDA where right now decisions are made by the director, and they're implemented. This would create a director, a Board, and then someone above that.

I think one of the things that would be really helpful is if we focused on the ways that agencies can collaborate better: one stop application; The ability for agencies to share information. I think these are things that would be helpful to those who are applying.

So I recognize how difficult it is to put USTDA in a box, but it was created that way. It was created for a dual mission. It doesn't really fit into this box. It doesn't fit into the export box, but it plays in both, and I think this would eliminate a very important part of its mission, and its effectiveness which has doubled over the past eight years.

Thank you.

MS. VEILLETTE: Any reaction to that?

MR. INGRAM: Yes. Lee, as you know well, I have a lot of respect for USTDA, and I like its mission, and I like its function. I think I will respectfully disagree as to whether or not there is a logical connection with OPIC where they both fit in the box of development, and they both fit in the box of the private sector. And I think we can respectfully agree, but I think it would be a good conversation to have as to whether or not TDA stays separate or comes together in the -- I mean, part of this is driven by the U.S. wanting to have -- us wanting to have a stronger development finance instrument. And TDA would strengthen that capability.

MS. VEILLETTE: Peter.

THE HON. McPHERSON: Well, the organization that she speaks for an of certainly does an excellent job over the years. I think one of the -- going beyond that though, I think one of the strongest arguments for your cabinet position, George, is that you're not going to be able to get the consolidation, and the coordination in a formal sense across this government that we've all worried and wondered about just because the politics don't work.

I think of that really excellent little development group within the Treasury where I was a deputy secretary for some time, and they have expertise about foreign exchange, about central bank, et cetera, that really doesn't fit into AID per se.

So how are you gonna have a across-the-board? Well, if you did have a cabinet member, you would have more stature to be able to get some coordination. I think that's an argument you might well make because I don't think that you're ever going to be able to pull this together in a way that would just become too much of an international government.

I remember a friend of mine, who was ambassador to Canada saying (inaudible) Canada doesn't really coordinate Canadian policy because every cabinet member in Washington works with their counterpart in Canada.

And I think that the internationalization of the U.S. government is such that the formal coordination the way we dreamed of in days of ITKA to go way back is history.

THE HON. ATWOOD: Could I just say one thing about?

MS. VEILLETTE: Sure.

THE HON. ATWOOD: I may have a different point of view. I think it's important to look at the history of where USTDA came from, where OPIC came from, why was it that I and Peter were the chairs of the board of OPIC. Because they grew out of AID, and various credit loan programs and guarantee program also grew out of AID.

Why? Not necessarily because development professionals are bankers, but because AID has access to the university community, to the banking community, to -- we used when the

communist countries moved toward market economies, we used bankers, we used others that went over, and we oversaw what they did. I think there's a great deal of creativity and innovations that comes from having these people under one roof, not necessarily bureaucratically defined by the one roof, but with their independent status to the extent that you can retain, Lee, what you've mentioned. I think it's important to break down red tape and look at these issues from that perspective. But I think it's important to have a development agency that's thinking most broadly about development and then has access to all of the private sector, to the university sector, to all of the elements that make this country great. I think it's already great, isn't it? It's a great country (Laughter).

MS. VEILLETTE: Let me just say that this issue of coordination across government is, it's just so difficult. It's so difficult to figure out what's the best way. How can you make it work? You know, what's going to lead to effective and coherent aid policies?

And I have to say, Brian, I still have a headache from the food fight between the State Department, USAID, and USDA over food security legislation.

THE HON. ATWOOD: Right

MS. VEILLETTE: It's really tough, and it's -- some of it's ego, some of it's jurisdiction, some of it's wanting to be associated with a presidential initiative such as food future, and why they get their fingers into it, and just will not let go. And I don't know how we untangle this cross-government coordination stuff.

Did you want to say something, Peter?

THE HON. McPHERSON: No.

THE HON. ATWOOD: I agree with you. I was there with you.

MS. VEILLETTE: Yeah, I know you were. Thank you. You were my moral support.

Okay. We have three people that raised their hand simultaneously again. We'll start on the aisle and we'll work our way here.

MR. VITAL: Hi. My name is Mohammad Vital and I'm a student at Claremont McKenna College. I first wanted to also thank you all for writing and speaking about this interesting and time discussion draft.

In it, you propose creating a strategy and technical center, which, among other things would, quote, serve as the locus for innovation." So that got me think about the potential role of technology in modernizing foreign aid, and making it more efficient through (inaudible), technology and other biometric, for example.

How well do you think foreign aid and refugee assistance could currently use technology, and with their new model chart a different path forward to meet the challenges of national security and otherwise of the 21st Century?

MS. VEILLETTE: Brian?

THE HON. ATWOOD: Yeah, I think the humanitarian and development community have done quite a good of adapting technology to development needs, and we're seeing this particularly with cell phones and solars and other.

And I think one of the most -- the model that I think, that impresses me is AID using a little bit of grant assistance to jump start some of these technology adaptation, some of which with companies that have a social and profit motivation, the social investment funds, and I've seen a number of successes in that are, and AID has played an important role in helping them get jump started, and out there demonstrating the validity of their technology adaptation so that they can then go in the marketplace and get private financing.

THE HON. McPHERSON: I'm on the Board of the National Democratic Institute, and as people may know, democracy is under attack throughout the world by illiberal leaders and authoritarian ones, and they've got a relationship with Silicon Valley to deal with this, with the disinformation and disinformation that is going around the world, and I think it's really important for tech companies to address some of these issues.

MS. VEILLETTE: Great. Okay. Next one in.

MR. PINTER: Good morning. I want to thank you all again. I think this is a very thought provoking piece that has been produced.

My name is David Pinter (phonetic 16:14:32. I am a former technical officer within USAID, and 25 years in the foreign service. Foreign service officers are only in the State Department.

But during that time, I was also involved in establishing the Development Finance -- sorry -- the Development Credit Authority, and so my observation has to do with development finance, and I think that to me development finance -- well, not just to me, but I think in general development finance is increasingly crucial to the goal of global development overall.

And it seems to me that separating the two structurally as you've done in your proposal, really lessens the impact of both. That is to say, I think there really needs to be a very strong connection, and I take Peter McPherson's point about having a separate deal-making agency, if you will.

I think that you need to bring that inside, and I think that to be -- really having the development finance function within the agency would be important.

So I'd be interested to understand a little more why did you separate them, and whether or not you think that combining wouldn't add additional weight to the agency becoming cabinet level, and aid in further consolidation which seems to me to be another theme that's important in this context, to be perfectly honest, I mean, when you do mergers and acquisitions you're always looking for economies on the backroom side. And it seems to me that you have missed that opportunity by keeping the two separate.

THE HON. McPHERSON: I agree with you, by the way, and even though I endorse this thing, I realize that you can endorse something because the general thrust is wonderful.

MR. PINTER: Right.

VOICE: You got thrown overboard there, George.

VOICE: You just got thrown overboard, George. I remember were given responsibility to oversee the enterprise funds that were created in may of the eastern central European former Soviet Union. Some of those things just were run terribly, and were supposed to keep hands off. Congress didn't want us to get it because of the same reasons you mentioned that either bankers should succeed or fail based on the deals they make.

THE HON. McPHERSON: Right.

THE HON. ATWOOD: Well, some of them were just failing miserably, and we had some great best practices models like the one in Poland, and we weren't able to do much until then our IG gets involved and says you're not doing anything. These enterprise funds are failing.

So I really do think that there is a great deal of synergy that can be achieved through these development finance programs if they're in the right environment and thinking about development and not just transactional deal making, which seems to be the topic of the day here in Washington. But anyway --

MR. INGRAM: I've had that conversation with people, and I've talked to people who proposed that. It's a credible argument. I think that one of the things that drives me if OPIC like TDA has a very positive record of dealing with the private sector. It's been a much more difficult struggle for AID. There's much more bureaucracy in AID.

And what the Congress tends to do is the Congress tends to go where the money is. Okay. And where is the big development money? Where is the big foreign money? It's the State Department, and at AID.

And the Congress loads that on with conditions, and earmarks, and focus. OPIC, \$80 million, they leave it alone. TDA, they leave it alone. They leave the MCC alone. It's less than \$1 million.

And I think what you have is if you brought OPIC/TDA into the State Department, I think it's much more susceptible to being -- having an overlay of bureaucracy that makes it much more difficult for that organization to function, and I think the private sector would tend to see it that way, and be less reluctant to work with you.

MS. VEILLETTE: Okay.

MR. INGRAM: But it would strengthen the development agency. Okay? It would make it a more powerful organization, but I think it would have more destructive impact on OPIC.

MS. VEILLETTE: Okay. And then we're going to go back here.

MR. KOBAYASHI: Thank you very much. My name is Kobayshi . I'm from (inaudible) a Japan financial corporation agency. I would like to ask to ask some questions to Dr. Ingram not as a way to interfere with U.S. domestic issues, but as a member of the international development community.

When I observed your plan, I noticed that there are mainly two differences between your plan and how we are structured. And one relates to this having two institutions rather than one, and that's been already addressed.

Another is that you've mentioned that Development Finance Corporation would take care of the financing, debt financing, but I'm assuming that you're only talking about debt financing to private sector --

MS. VEILLETTE: Right.

MR. KOBAYASHI: -- and not sovereign loans, and I was wondering in your effort to be bold, whether you had considered the possibility of restarting sovereign loans as part of USAID (inaudible).

And another --

MR. INGRAM: Like you say, we did not consider that.



MR. KOBAYSHI: You did not consider that. Okay. and also my last question is I noticed from your discussions that having the director at the cabinet level might be one of the biggest challenges, and whether now much of your plan would be compromised if that part of the plan is not realized?

From my perspective, I think there will be a lot of efficiency gains just by consolidating all the agencies without even having the director at the cabinet level, and I would like to hear our take on that. Thank you very much.

MR. INGRAM: I think you're correct that the consolidation would happen, but I think Brian laid out the case of the importance of the cabinet status in order for the director to be real player on the interagency level, and for him to be able to carry out the consolidation, or her.

MS. VEILLETTE: Okay. We had questions in the back on both sides, and I don't know -- you want me to tell you which one to go to? I don't know who had their hand up first.

MR. INGRAM: Right there at the end.

MS. VEILLETTE: Okay.

MS. GRIFFIN: I thank you all very much for your discussion this morning. My name Livia Griffin, and I work with USAID. Right now the USG involvement in countering violent extremism is guided by the joint strategy between State and AID on CVE. Has your consideration of the roles of both State and AID considered at all the roles of both agencies in countering violent extremism?

THE HON. ATWOOD: Yes. I will answer for you, I guess --

MR. INGRAM: Yeah. Good.

THE HON. ATWOOD: -- but I don't see any problem of having interagency cooperation on issue that are -- where the expertise of each agency can be brought to bear. And maybe that's a role for the National Security Council which has grown much to big, by the way, and it's too operational, but at least when people go to meetings at the White House, there's generally

they respect each other a lot more than they do in emails. It changes. So interagency cooperation, I think can be encouraged no matter what status the agency has.

MS. VEILLETTE: Okay. So it's 11:25, and we need to be out of here in five minutes or so, so can we bunch together some of the questions in the back? There's 1, 2, 3. If we could do those three questions, and our panelist can respond.

VOICE: Hi. my name is (inaudible). I'm from Central Asia. Used to work for (inaudible) Cycle. I am (inaudible), and I think your proposal made great sense.

First of all, it's in line with OECD development (inaudible) its principles, and, for examples (inaudible) office (inaudible) represented for the country level. Then you have (inaudible), economic development, social development arms, and you speak in one voice with the client, and that helps reduce fragmentation and increase clarity and perception with your counterparts. And very much what happens with USAID, you have a U.S. ambassador, who is talking on behalf of US (inaudible) who is kind of USAID director and there is not enough kind of alteration or cooperation at the county level.

(inaudible) you have DFID, and you have kind of investment promotion on, and so this (inaudible) increase the visibility and quality at the country level.

Second, that would definitely reduce the transaction cost, and in different language it would improve the value for money for U.S. taxpayer's money because you will get rid of administration functions while managing different agencies.

And thirdly I think it is really critical to increase the convening power of U.S. foreign assistance (inaudible) although in the current environment (inaudible), especially in the Eurasia, for example where you have a rise of nontraditional dominance such as China or Russia. So you need to kind of speak in one voice with your country counterparts. It is very important to speak from the single agency perspective rather from fragmented agency perspective.

That is why I think this makes really good sense and (inaudible) international experience. Thank you so much.

MS. VEILLETTE: Thank you.

MR. CASELLA: Thank you. Mike Casella currently retired, formerly worked at AID, MCC, OMB, couple other places.

I want to echo the praise for this proposal. I think it's a great conversation piece. I also think a lot of it is very practical, and will serve as a good starting point for what Peter suggested that looking at what are some of the practical things you could do in the shorter term. I do think there are a lot of things in this proposal. Goldwater Nichols is one that I think you could do regardless of if you did a consolidation that would have a huge positive impact.

My questions, specifically is you refer as part of your box on diplomatic programs on the last page, "State retains responsibility for strategic economic assistance to countries that are of critical foreign policy importance."

I assume you're thinking of places like the Middle East and former Soviet Union here. The question I think you will get certainly from people at State is if you eliminate the coordinators and you merge F back into either USAID, or a global development agency, how does State actually play that role without overstepping, what I assume you would consider overstepping.

MS. VEILLETTE: Okay. We've one person standing in the back. Behind you. Turn around here

MR. AKUJABI: So I'm Kami Akujabi . I work for USAID in global health. Just a quick observation. Splitting two agencies, or splitting activities across agencies or something like this, I think in the way it get operationalized, I think care needs to be taken that the development agency doesn't tend to focus on sort of lower income countries where the financing agency might have institutional pressures to focus on. Middle income countries mainly wind up with this kind of missing middle of the lower income countries. Thank you.

MS. VEILLETTE: Okay. I'm sorry, that's like a fourth one over here.

MS. BOOKER: Hello. Thank you very much for giving this presentation today. My name is Dalton Brooker. I'm a program associate with the Osgood Institute for International studies, and my question is kind of moving back to more political of this, I suppose what could be done, assuming that your bill doesn't pass the kind of work around the bureaucracy and still get these reforms I believe are very important to be in place if Congress, or if the Congress doesn't pass your bill, or if the president is to veto it.

MS. VEILLETTE: Okay. So we have four really good questions and comments. Does anyone want to take any of those on?

THE HON. MCPHERSON: Let me jump in without those 15 minutes worth of responses to those important questions. So let me just make one comment, and then a closing thought here.

One, I think we have to deal with this question of how to handle US (inaudible) or the equivalent. And it's a real mistake in my view for a development agency to give up a role. We wouldn't have built the sewer and wire system in Cairo and Alexander, but for AID's insistence that we play it. And I think there's a danger here.

I would say a couple of closing comments overall that I think that the coordination role, the (inaudible) is going to be extremely difficult to achieve, excellent role that it is, but, in fact, Connie and George, I think that may be one your strong arguments for cabinet rank, and I think you ought to consider making that, and the argument for consolidation

Well, you won't be able to get the consolidation as you dream of and hope because the politics are -- I think the world has gotten complicated with each decade, and I don't -- but the rank, you're sitting in the National Security Council, it would be unconventional, but you wouldn't necessarily need to have a total independence to have cabinet rank either. I mean, I think we ought to weigh that over.

The other thing I think that you ought to think about is the constituency for this new structure. Remember, you're going to give up something in my view, or potentially give us something, but it's true that the constituency for development for development today may be broader and deeper. That's the world wasn't really when you like it is today 20 year ago.

And to some in Congress that's an argument. So I think there's some points here in support of your proposal that you might want to further develop.

MS. VEILLETTE: Okay. Brian, would you like to answer any of those questions, or give us some closing thoughts?

THE HON. ATWOOD: First of all, I was very disappointed to hear that Mike Casella has retired, but his question is a good one. How does one -- I mean, I do think it goes to this issue of how you manage the Economic Support fund which has always been managed by State where decisions are made by Stat was to where those resources go. And you are getting an increasing number of middle income countries. If you looked at the G-20 meeting last week, you know, it's very interesting mix of people that come to the G-20 because that's the nature -- that's basically the fruits of development over the last 50 years, the fact that some of those countries were developing countries.

I think of the conference that we did when I was the chair of the Development Assistance Committee in Busahn And we were all reminded about how poor South Korea was right after the Korean War.

So I do think that it is possible without F which imposes itself apparently in a rather negative way more recently on USAID to find a way to make sure that those resources are available for the State Department.

And they do relate in many cases --

MR. INGRAM: Well, there was a pre F. We had a structure that --

VOICE: Right.

THE HON. ATWOOD: Right. I also wanted it because the person talked about the money the Swiss model. I wanted to make a point to amplify on something that Peter made. There are finance experts at the Treasury Department, and I want them to continue to have a role to play. And at least in my concept, the article that Andrew and I did, and I think it's also reflected in the MFAN report, is that the oversight of the World Bank, which has become really a development agency, and most of the people who oversee the World Bank from other donor nations are the heads of the donor agency.

That isn't the case with the IMF, and I think that the finance people at the Treasury should continue to work with the IMF and the two are in some ways separate in terms of what their mission is although obviously related.

I think finally, and maybe this puts a point on all of it here is that we've come a long way in terms of support for the development mission, but we need to really make a case for the development mission in terms of American national interest.

And there are a whole variety of ways in which you can make that case. Again, I mentioned before, the American public is concerned about transnational issues. They're concerned about climate change. They're concerned about infectious disease. They're concerned about refugees pouring over borders. They're concerned generally about the carrying capacity of the world, of the earth we live on.

And that's part of the case. The other case is the national security case. Can we continue to handle as many crises as we have. Isn't there a role to play for long-term development in terms of preventing crises.

I mean, just think what the world would look like if we hadn't made these investments in the last 50 years. That G-20 meeting you would have a hard time finding 20 countries that could go to a G-20 meeting if we hadn't made these investments.

And the same can be true of every sector, if you look at the health sector. I mean, it is still a major challenge, and these are salient political issues, but you have to make those issues effectively in terms of national interest if you're going to deal with the issue of domestic agencies who are now putting their hands in and working globally because you do need an agency whose success is measured by the success of its partners, and not by the extent to which it is dealing with a domestic issue.

MS. VEILLETTE: Okay. George.

MR. INGRAM: Well, I wish we could just end on that point because that's a really important point, Brian. And I wish I could address all the questions. I don't have time. But (inaudible) this conversation that Mike started, first of all, Mike, thanks for not giving everybody a four pages of your comments on our earlier draft, but thank you for that.

For me, coordination is always a second best solution. That clear lines of authority is the best solution. We try to achieve that in this proposal by eliminating some functions, merging things in, allowing State and AID to focus on their core competencies, and, therefore, there's going to be less need for those regional coordinators. You still need the predecessor to F at State Department to allocate the money, to coordinate with other agencies, and I see we propose that F be downsized and stay in State, but with a less August function.

And I think on ESF, Peter, for me that's the big conundrum and has been for a long time. And we leave the State Department in charge of strategic assistance, ESF. The assumption is they probably a lot of the implementation will be done by AID, but the problem is over the years that ESF that is implemented by AID gets judged by -- and we want AID to implement because want a positive development impact, but frequently it's done in circumstances and amounts that you can't have an effective development impact, yet it gets judged on that basis. It doesn't get judged on the foreign policy goals it's trying to achieve.

So that's a huge conundrum that I haven't seen anybody have the right solution to.

MS. VEILLETTE: You took the words right out of my mouth. I was going to say that as moderator I was staying out of the substance of it, but I've long been an advocate of separating out ESF because I think the decisions are made for political or diplomatic reason, but that yet when USAID implements they are judged on their development outcome, and they really should be judged on how this funding advanced the bilateral relationship.

And when it hasn't had a really positive development outcome USAID has gotten hit for it. Right? (inaudible) in Afghanistan, in Pakistan, for example, that have not met the muster of the IG.

So we see that as being an important issue to tackle. Have we hit it right? I don't know. But I think it's something --

MR. INGRAM: Because you end up giving up the development impact. I mean, Egypt for all -- the huge struggle between State and AID over the decades, State always just wanted to give them cash it seemed.

THE HON. McPHERSON: That's what they did for --

MR. INGRAM: And that's what they did supply. And we would always say, well, wait a minute. Let's do some development things, and I think there's been some tremendous development, economic impact in Egypt for these billion of dollars.

Yes. If it were -- if we didn't have the political considerations, we wouldn't have put merely as much money in, and you could have had the money better used for development. But just think that -- anyway, it's (inaudible).

MS. VEILLETTE: Okay. Well, I see Peter's cigar is out so that must mean this is the end --

MR. McPHERSON: Ready to go.

MS. VEILLETTE: I want to thank everyone for coming. I want to thank our administrators. Thanks, George.



You know we have opportunities to continue these types of events and continue the conversation, so thank you very much.

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## CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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