

**TESTIMONY OF
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COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
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Chairman Berman, Ranking Member Ros-Lehtinen, distinguished members, I appreciate the opportunity to testify before the House Committee on Foreign Affairs and applaud you for taking up the critical and timely subject of U.S. foreign assistance reform for the next administration.

Foreign Assistance Advancing National Security, Interests, and Values

In a world where remote threats can rapidly metastasize into immediate emergencies, the fight against global poverty has become a fight of necessity—because national security demands it no less than personal morality. Impoverished states can explode into violence or implode into collapse, imperiling their citizens, neighbors, and the global community as they become a spawning ground for terrorism, trafficking, environmental devastation, and disease. Extreme poverty exhausts governing institutions, depletes resources, weakens leaders, and crushes hope—fueling a volatile mix of desperation and instability. And just as poverty leads to insecurity, so too conflict makes it harder for leaders, institutions, and outsiders to promote human development.

America's engagement in the fight against global poverty hearkens back to the best traditions of the Marshall Plan, the founding of the Bretton Woods institutions, and John F. Kennedy's Alliance for Progress. But it also appeals to the best instincts of a new generation of Americans who are engaged as never before in advocacy campaigns,

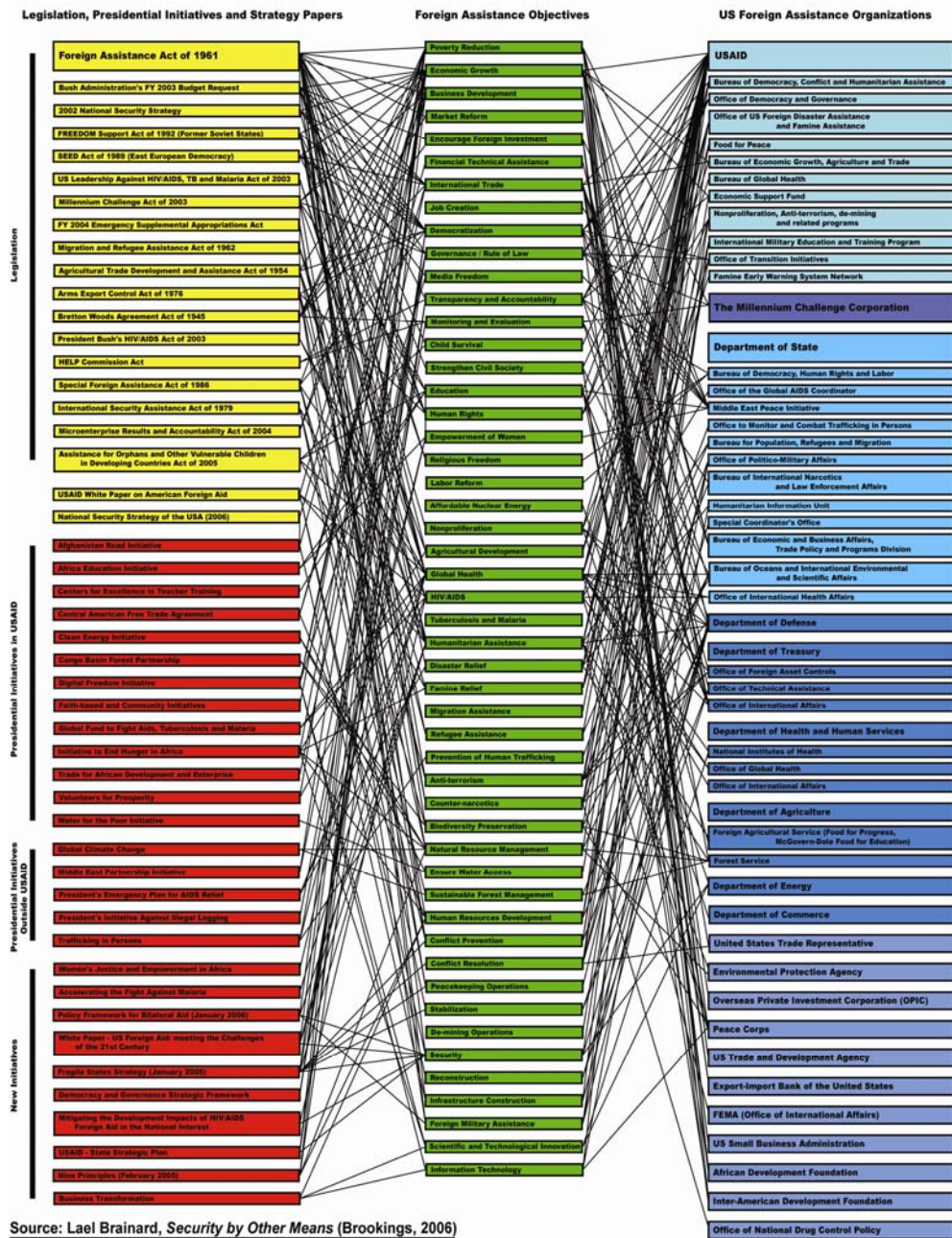
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global service commitments, and philanthropy big and small on behalf of the world's poor. Individual donations from the United States to the developing world have surged to roughly \$26 billion a year, exceeding official assistance, and, more than 50,000 Americans volunteer their time in overseas service each year. Our consciences, our hearts, and our faith demand that we tackle deprivation because it is the right thing to do. But helping the poor gain access to shelter, medicine, sustenance, education, and opportunity does more than make Americans feel good: it makes the world feel good about America. When the United States leads in helping lift the lives of the poor, we enhance our own influence and authority in the world community – building support for U.S. interests in other areas.

With hard power stretched thin and facing 21st century threats from poverty, pandemics, and terrorism, we need a national security strategy that elevates development alongside defense and diplomacy. We need a national security strategy that deploys foreign aid as a key instrument of American soft power and a key determinant of the face of America seen around the world, while leveraging the dynamic engagement of the American public, NGOs, and private sector.

An Outdated System

US Foreign Assistance Legislation, Objectives and Organizations



America's aspirations and aid dollars will surely exceed our impact on the ground unless and until we refocus our foreign assistance strategy, modernize our aid apparatus, and build our civilian capability. The urgent demands of post-conflict reconstruction in Iraq and Afghanistan and humanitarian disasters have led to a faster

rate of expansion of foreign assistance dollars in the last seven years than at any point since the Cold War. But instead of modernizing our Cold War era aid infrastructure, the administration has responded to each new global challenge by creating new ad hoc institutional arrangements along side the old ones, such as the President's Emergency Plan for AIDS Relief (PEPFAR), the President's Malaria Initiative (PMI), the Millennium Challenge Corporation (MCC), and the State/F bureau. Meanwhile, by default rather than design, the Defense Department is taking on a growing role, now accounting for 1/5th of U.S. Official Development Assistance (ODA).

As shown in the chart above, fifty separate units share responsibility for aid planning and delivery in the executive branch, with a dizzying array of fifty objectives ranging from narcotics eradication to biodiversity preservation. Different agencies pursue overlapping objectives with poor communication and coordination. At best, the lack of integration means that the United States fails to take advantage of potential synergies; at worst, these disparate efforts work at cross purposes. Meanwhile, at a time when aid dollars have grown rapidly, the number of civilians with the training and experience to direct and implement assistance programs effectively has diminished sharply. As a result, the impact of American foreign assistance falls short of the value of aid dollars expended – which remains unmatched among bilateral donors.

Despite the recent creation of the State/F bureau and the energetic efforts of its staff and leadership, lack of coherence remains a significant problem for U.S. foreign assistance and development policy. Instead of clarifying missions and rationalizing offices, State/F superimposed another layer of bureaucracy into the mix. Little progress has been made in addressing the confusion captured in the chart because the reforms to date are piecemeal. Ultimately, a truly consultative process across the legislative and executive branches of government and with outside stakeholders will be critical to building support for the statutory changes necessary for fundamental reform.

Nonetheless, the State/F process offers some valuable lessons for reform, which are reflected in my recommendations below.

Recommendations for Reform

Past episodes of successful reform suggest that the year ahead offers congress and this committee in particular a unique opportunity to lay the foundations for a new administration to update and upgrade America's foreign assistance capabilities in line with today's challenges. Instead of the 50-odd often outdated objectives the executive branch is currently expected to pursue, a new foreign assistance act could narrow the focus to the five strategic aid priorities facing the nation today—addressing poverty and need, supporting the emergence of capable foreign partners and countering security, humanitarian and transnational threats. Instead of the current spread of 50 offices managing aid, we should have one agency with the authority and operational capability to carry out these missions effectively, complemented by capable interagency coordination led by the White House. Experience suggests five principles to guide the reform of foreign assistance:

Elevate Development and Diplomacy: To advance American interests, security and values, the development mission must be elevated to equal status and independent standing alongside defense and diplomacy not just in principle but also in practice. The development mission—vital to America's interests as well as to global peace and prosperity—must be prioritized in order to improve morale and attract and retain the most talented professionals in the field.

Many applauded when the President's 2002 National Security Strategy recognized development alongside defense and diplomacy as a third critical pillar of national security. Many now worry that the 2006 establishment of the State/F bureau with oversight over USAID at best confused development and diplomacy, and more likely

subordinated development to diplomacy—a concern heightened when the State/F framework failed to make reference to “poverty.”

While complementary, development and diplomacy are fundamentally different missions. The primary function of diplomacy is state-to-state relations, whereas development and democratization often require working around foreign governments, and sometimes with groups opposed to them. Development seeks not solely to develop state capacity—the overarching objective of the State/F framework—but societal capacity more generally to ensure that poor communities have the tools and resources to lift up their lives. Importantly, maintaining the integrity of independent diplomatic and development functions makes it easier to manage the frequent tension between short term political objectives—which often require working with undemocratic regimes—and longer term economic and political reform objectives.

Although outside the scope of my testimony today, recent commissions and articles have also highlighted the need to strengthen the diplomacy pillar. I strongly agree with that recommendation, which is wholly consistent and mutually reinforcing with making the development pillar strong and separate.

Meanwhile, the Department of Defense has initiated its own reforms in light of our weak foreign assistance infrastructure, significantly expanded its direct provision of foreign assistance in weak and failing states, and increased its share of U.S. official development assistance by more than 15 percent of the total between 2002 and 2005. These activities, as well as the wide-reaching mission initially envisaged for the fledgling African Command, are symptomatic of a growing tendency for the military to fill a perceived void associated with weak civilian capacity. Over time, reliance upon this military gap-filling tendency in a range of conflict prevention and stabilization interventions extending to permissive environments would tax an overstretched military in roles that it was not trained to undertake and undermine investments in

civilian capacity in a self-perpetuating spiral. To reverse this trend and unburden the military will require systematic strengthening of our civilian capabilities.

Invest in Operational Civilian Capabilities: Development, humanitarian, and post conflict missions are by nature operational —informed by policy but not policymaking functions per se. The U.S. organizations entrusted with managing foreign assistance must recruit personnel with the right technical, operational, and project management skills; reward effective performance; and work relentlessly to improve on-the-ground results. Unfortunately, recent years have seen systematic weakening of our operational civilian capabilities while responsibilities and disbursements have grown. As a result, there is a readiness deficit in civilian development, humanitarian, and post conflict missions, and an urgent need to invest in specialized expertise on science, engineering, economic analysis and program evaluation. Defense Secretary Gates emphasized this need in his recent Landon Lecture: “Indeed, having robust civilian capabilities available could make it less likely that military force will have to be used in the first place, as local problems might be dealt with before they become crises.”

Since the 1990s, the number of professional USAID staff has fallen by a third. Between 1998 and 2006, reductions in direct-hire staff were accompanied by a sharp increase in foreign assistance spending, with the result that aid disbursement per staff member grew by 46 percent to \$2 million. By some estimates, nearly 1/3 of USAID foreign service officers are eligible for retirement.

Paradoxically, at a time when the premium is greater than ever on specialized expertise for addressing development challenges, USAID has had to reduce technical expertise in favor of general management skills. From USAID’s earliest days, scientists, engineers, and other technical experts were central to its mission. Today, the agency has only 5 engineers on staff, and of 1,821 professionals at the agency, over half work as generalists. The government’s thin bench on science and technology for development

means we are poorly equipped to leverage the considerable capacity of the U.S. private sector, universities, and foundations. In addition, economic analysis and program evaluation capabilities have declined at a time when these skills are vital in order to improve outcomes based on rigorous evaluations of impact.

Support Country Ownership: Aid works best when it supports priorities determined locally, and recipients are invested in achieving success. Of course, the extent of U.S. oversight and control of aid implementation should vary with the quality of local governance, with poorly governed countries less likely to formulate national strategies based on the priorities of poor communities, thus requiring greater oversight in the aid process. But the principle of stakeholder ownership applies to the entire aid enterprise—even if it requires different mechanisms of implementation depending on circumstances on the ground.

Indeed, the critical role of stakeholder input is one of the chief lessons from State/F's early experience. The planning system for country operations developed through the State/F process met with criticism in large part because of the top-down way it was developed, the hasty way it was introduced, and the fact that it placed significant information requirements on the field while centralizing decision-making. As a result, the country planning system lacked critical engagement from key stakeholders in the field, the broader development community, and Congress.

Achieve Coherence across Policies: Foreign assistance is but one of several tools to support development. The United States could wield greater influence per aid dollar spent than any other nation simply by deploying its influence in trade, investment, debt, and financial policies in a deliberate manner as a force multiplier. Nowhere is this more apparent than on agriculture, where our development and trade policies too frequently work at cross purposes. Regular mechanisms for policy integration are vital

–through a combination of interagency coordination at the White House for high level decision making and assigning authority to an appropriate lead agency for each set of responsibilities. Policy integration is also important in planning and operations, as illustrated by recent post conflict experiences. Improving integration requires removing disincentives and creating positive incentives, such as reserving budgetary funds to reward collaboration on priority goals and tying career advancement to participation in joint operations.

Rationalize Agencies and Clarify Missions: Ultimately, the mark of a successful reform will be a reduction in the number of players and the elimination of overlapping jurisdictions. This will allow for more accountability and unity of voice. Creating a **Cabinet-level Department of Global Development** would be the best way to insure against the subordination of long-term investments in democratization, development, and poverty alleviation to short-term political objectives. Ultimately, this approach holds the greatest promise of boosting U.S. standing in the world and transforming the United States foreign assistance enterprise to address the global challenges of the 21st century. Interestingly, Secretary Gates seemed to open the door for such a bold reform when he argued that, “New institutions are needed for the 21st century, new organizations with a 21st century mind-set, rather than repopulating institutions of the past or expanding current agencies.” The creation of the UK Department for International Development (DFID) in 1997 demonstrates that this approach is both achievable and likely to improve effectiveness. DFID boosted the overall coherence of UK development policy and impact, while elevating the stature of development and improving recruiting.

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This committee can lay the groundwork for the next president to capitalize on the growing consensus in favor of modernizing our aid infrastructure. Successful

instances of transformation here and in the UK have been initiated early in the course of a new administration. Thus, if America is to develop an effective soft power response to new global challenges in this decade, the countdown has begun.

Successful reform requires agreement on the urgency of the mission, support from key groups outside government, and the personal commitment of the president and congressional champions. Congress has an integral role in shaping the organization and delivery of U.S. foreign assistance by holding hearings such as this, mandating independent analysis of the current structure and operations, and requesting expert recommendations with the goal of passing a **new Foreign Assistance Act** designed for today's complex challenges. The conditions for fundamental reform are favorable if there is sufficient political will. Improving the effectiveness of foreign assistance commands bipartisan support. The recommendations discussed today do not require big budgetary resources but instead magnify the impact of every dollar spent. And as *American Idol: Idol Gives Back* suggests, Americans wish to show a more compassionate face to the world and support the fight against global poverty in growing numbers.