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Background Briefing

Office of the Spokesman

Washington, DC

January 19, 2006

Two Senior State Department Officials on Foreign Assistance

(11:00 a.m. EST)

MR. ERELI: Welcome, everyone. We're pleased to have with us today two senior State Department officials who are here to brief on background on the announcement today of reorganization of foreign assistance. We'll have brief opening remarks by Senior Administration Official Number One and then move to your questions.

QUESTION: Before you go, is there any reason this couldn't be on the record?

MR. ERELI: We're doing it on background because the Secretary spoke to it on the record, and elaborating on her remarks we felt it was more appropriate to do on background.

QUESTION: She didn't take any questions. She made a pronouncement.

MR. ERELI: Right.

QUESTION: And that would be -- it was not critical of what she's doing and there was no room to ask questions about Mr. Tobias's views on various things and his corporate background, so I intend to pursue those.

MR. ERELI: Good.

QUESTION: I'd rather get an on-the-record response to that rather than to the mechanics of blending wing D3726 with D73621, you know?

MR. ERELI: Yeah. Well, let's do this on background. If there are other -- if there's follow-up interviews you want to do on

the record, we can consider those.

QUESTION: Adam while you're there, can you say anything about the bin Laden tape?

MR. ERELI: No, can't.

Senior Official Number One.

QUESTION: [Senior Official Two], can you say anything about the bin Laden tape?

SENIOR STATE DEPARTMENT OFFICIAL ONE: I'll leave that to Adam and his colleagues.

QUESTION: Official Number Two.

SENIOR STATE DEPARTMENT OFFICIAL ONE: That's right.

Thank you. As you know from the Secretary's remarks, she announced today that she's launching a major restructuring of the way the State Department and AID deal with foreign assistance. Basically, she is -- she intends to establish a potentially very powerful position at State. The position is Director of Foreign Assistance. That position will be responsible for all foreign assistance accounts and will be in a position to ensure that the State Department and AID have far-reaching plans that a very systematic effort will be made to look at how our foreign assistance dollars are spent, to ensure that they're spent as wisely as possible and that they're achieving the Administration's goals.

Secretary Rice has also decided that that person should serve concurrently as the AID Administrator. As AID Administrator, this person -- and the President announced today that it would be Randy Tobias. As AID Administrator, this person will be nominated by the President, confirmed by the Senate and, like the current AID Administrator, will have a rank equivalent to a Deputy Secretary of State.

As I said yesterday, the Secretary has a very clear view of what her tenure is all about. We've moved out of an era of the last four years where we have been responding to terrorist attacks and fighting wars, and now it's time to take a very hard look at the structures, the institutional changes we need to put in place to deal with the challenges that we're going to face in the decades ahead. What she announced yesterday is part of that and this is part of that.

She has described the Administration's policies -- or the era, frankly -- as a time of transformational diplomacy where the concern is with building and sustaining democratic governments because that is in the national security interest of the United States.

If that is the primary concern, as opposed to simply maintaining state-to-state relations, it is very, very important that we look very systematically at how our foreign assistance dollars are spent. The problem, the frustration that she has had, and I think her predecessors have had, is that she shows up at the State Department and all of a sudden, you know, she realizes much more vividly than ever before that the foreign assistance money is divided into multiple accounts, that there is very inadequate coordination between those accounts. And I'm not just talking about between State and AID; I'm talking about within State. As you know, there are several bureaus of State that control very substantial amounts of

money and coordination does take place, planning does take place, but the system is not given to do what really needs to be done, where you have somebody ask the basic questions: What are we trying to achieve in a given region? What are trying to achieve in this country? Where do we want to be five years from now? How are we using all our resources to achieve that?

The system, as it exists, simply isn't designed to do that and so that's why she took the step she took today, which is to consolidate foreign assistance authority in one individual, in one office that will report directly to her, and so that we can move forward with policies that advance the national interest.

QUESTION: Could we ask questions now?

MR. ERELI: Go ahead. Yeah, sure.

QUESTION: Whose fault is it, if there's any fault, that things have been so uncoordinated? Has the program just developed into new and more complicated ways or have previous Secretaries of State -- is this Administration saying they've just discovered that they had a poorly coordinated AIDS program? Why? Why was it -- how did that come about?

SENIOR STATE DEPARTMENT OFFICIAL ONE: Look, I don't think it's all that productive to talk about who's at fault. I think we all understand that the current system has evolved over decades. Much of the current shape of it, frankly, is the legacy of the Cold War. Very significant changes were made under the previous administration during the 1990s, working closely with the Congress. Secretary Powell had very significant management reforms that improved the situation and Secretary Rice is taking additional steps.

Again, to some extent, we are living in a changed circumstance. Fifteen or twenty years ago, it probably would have made sense to do something like this, but it's particularly important today in an era of transformational diplomacy where we need to be much more concerned with, you know, looking at areas regionally, with working with our partners to address conditions within states, not just between states. It's very, very important that we make these changes now.

QUESTION: Didn't Mr. Natsios recommend some of these reforms?

SENIOR STATE DEPARTMENT OFFICIAL ONE: I think that Mr. Natsios is very much in favor of what we're doing. I think he said so publicly today. But in any case, we've consulted him thoroughly throughout this process and he's -- well, he should probably speak for himself, but I think he's enthusiastic about this.

QUESTION: Can you give us a sense of the different -- you're talking about the different accounts with -- you've got AID, but there are some programs inside State that you're talking about. Can you just give us a picture of what those are that have been doing programs around the world which need to be kind of coordinated, just a picture of that? And I also have a follow-up question.

SENIOR STATE DEPARTMENT OFFICIAL TWO: Yeah, I mean, there are 18 accounts in State and AID altogether. Most of those accounts are in the State Department so, for instance, there is a counternarcotics account, there's an Andean counterdrug account, there is ESF, which is Economic Support Funds, there are accounts in DRL for the promotion of democracy. So there are a large number of accounts. Many of them have developed very effective

individual programs. What we haven't had is a way of looking more broadly at what we're trying to accomplish either in a region or a country and making sure that all of the funds that we're using are actually being used in the most effective way.

QUESTION: May I follow up on that?

MR. ERELI: Did you have a follow-up?

QUESTION: Is it directly related to the --

QUESTION: I can ask. I can ask.

QUESTION: Okay, thank you. Will it have anything to do with the programs themselves if you start consolidating programs instead of having two different accounts, you know, basically towards the same end? Is this going to affect the program -- administration of the program in any way? Are you looking at that?

SENIOR STATE DEPARTMENT OFFICIAL TWO: I mean, this is something that this -- I mean, the new Director/Administrator is going to have to look at. It may be that you have two programs doing the same thing, for instance, a democracy program. They might be effectively differentiated at accomplishing objectives; on the other hand, we might look at these programs more closely and find that some of them are more effective than others, and in that case I would expect this new person to have the kind of scope of vision that would allow them to decide whether or not what we're doing now is effective. So we might or might not end up consolidating programs, depending on what kind of decisions he makes.

It's also the case we should note that we're not changing the -- asking right now for any changes in the accounts themselves, so we'll have to work within the existing account structure.

MR. ERELI: Did you have a follow-up?

QUESTION: My other question was that the Secretary seems to be outlining her vision for AID itself and it's a grand strategy that she's laying out, and I'm wondering to what extent is this jointness that -- Natsios talked about it, this idea of working with the military -- to what extent is that also part of this grand strategy?

SENIOR STATE DEPARTMENT OFFICIAL TWO: Well, I mean, we hope over the longer run that we'll be able to look across the American Government and be able to work more effectively not just within State and AID but with other agencies. We've already begun to take moves in that direction, if you look at the post-conflict Reconstruction and Stabilization Office, the ability now legislation that allows the reprogramming of funds from DOD to the State Department, so that we've made some moves in that direction and we hope to continue to move in that direction.

QUESTION: Would you say that that jointness is part and parcel of the new strategy or is this sort of separate -- the consolidation?

SENIOR STATE DEPARTMENT OFFICIAL TWO: I would say it is part of this new strategy (inaudible). Most

foreign assistance funding, something like 80 percent, reside in State and AID. We believe that if we can more effectively align these two agencies, it will be easier to get coordination within the U.S. Government writ large.

SENIOR STATE DEPARTMENT OFFICIAL ONE: I think they flow from the same concern that if you look at the characteristics of our time as being that we have to deal with transnational threats, that we often have to deal with failing states, poorly governed states, we need to have more tools in the toolbox to adjust this, to deal with this situation.

QUESTION: Does this mean that USAID is losing some of its independence and it's being folded in more into the State Department sort of mechanism? And also, will Tobias's job be sort of an expansion of what Natsios had because he'll be wearing sort of two hats?

SENIOR STATE DEPARTMENT OFFICIAL ONE: I don't think there's any question that this restructuring will result in a more powerful AID, a more powerful AID, a more influential AID Administrator, an AID that has more credibility within State, within the federal government generally, on Capitol Hill, in the countries that they operate in. And we believe this will be very well received at AID.

QUESTION: So it's not that you're bringing it in closer to the sort of State Department?

SENIOR STATE DEPARTMENT OFFICIAL ONE: Well, we're making sure that AID and State are aligned, which is what --

QUESTION: So you think it's been too independent up until now and it's not being sort of close enough, according to your policy goals?

SENIOR STATE DEPARTMENT OFFICIAL ONE: We think it's important to have goals in mind and to make sure that the taxpayers' money is being used to achieve those goals.

QUESTION: There was a lot of concern that this will make AID more politicized. That's the development community's concern. Aid is going to be going to failing states. What happens to more traditional issues -- health, child survival, some of these?

SENIOR STATE DEPARTMENT OFFICIAL TWO: I think that's absolutely not the case, and one of the things I know that Tobias has in mind, one of the things he's focused on, is the development of coherent five-year, country-based strategies in which it would focus on your development goals over the longer term. And it's exactly that kind of perspective which will continue to focus us on development. That's the first thing.

The second thing is that we recognize now that development, the promotion of democracy, the promotion of better government, are central elements of American foreign policy and that foreign assistance has to do more than just buy friendship over the short term from other countries. It has to make these countries effective partners with us and countries that are effectively able to serve their own people. So I think this change will do just the opposite. It will make development more effective and more focused.

SENIOR STATE DEPARTMENT OFFICIAL ONE: Anyone at AID will tell you that it's very important to have a long-term view. What this restructuring does is it guarantees that as the government looks at foreign assistance that it will have

a long view and make sure that that foreign assistance is serving our objectives in the long run.

MR. ERELI: Libby.

QUESTION: I just was going to follow up on Sue and Michele. I mean, there's some groups in town are saying that this is a political nomination of Mr. Tobias and that his experience in development is not what it should be for someone with a position of, you know, coordinating foreign assistance. So I'm just wondering what your reaction to that is.

SENIOR STATE DEPARTMENT OFFICIAL ONE: Ambassador Tobias did a superb job in the AIDS position. The Secretary has immense respect for his management skills. He's shown that over the course of his career in the private sector, but particularly in government, and the Secretary feels very strongly that he's going to be an excellent choice.

QUESTION: Can I follow that up and ask my question? The former Chairman of Eli Lilly had his critics. Critics suggested that he was very reluctant to support the use of generic drugs, which are cheaper of course, to combat AIDS and that he put great reliance on abstinence instead of birth control devices, which wouldn't put him out of synch with the Bush Administration, of course. But if these views are -- if the accusations or the criticism is accurate, will that have any bearing on running the aid -- this huge job, running a foreign assistance program? And is the criticism valid?

SENIOR STATE DEPARTMENT OFFICIAL ONE: Look, Ambassador Tobias, when he's nominated by the President, is going to go through the congressional hearing process. There's going to be a lot of questions that he's going to be more than happy to answer. All I can do is repeat that the Secretary is very, very impressed with his management abilities and leadership abilities that he displayed in the AIDS job and also in the private sector, and we think he's going to do a superb job in this position.

QUESTION: The other thing. There's been talk of the greater vision, the long-term views, you used, and it's obvious that there's a vision -- I'm not dismissing the importance of the bureaucratic shift, but it's hard to detect what the vision behind the vision or beyond the vision is. I mean, what might the world look like five years from now once this thing is in place? I mean, is there talk of somehow or other shifting the pie so that more would be spent in some areas than it is now? It's hard to see how this is going to be of interest to the guy in Peoria and beyond that AID is being reorganized slightly or they're putting a new position on the seventh floor.

SENIOR STATE DEPARTMENT OFFICIAL ONE: Look, let me say something. The Administration has consistently asked for increased funding for international affairs and for foreign assistance. The President and the Secretary believe it's central to our national security. In order to maintain support for these programs, we need to be able to demonstrate they're using the taxpayers' money very effectively. I mean, you can say this is a bureaucratic shift and that it's just process and what does this really mean. What it really means is that there's now going to be a system in place where we can say: Look, what exactly are we trying to achieve with the taxpayers' dollars? How are we going to do that? How do we measure whether we're actually achieving that? And then we'll be able to go to Congress and explain exactly why this money is well spent. We'll have accountability.

And right now, you know, if you look at a situation in a country and there's concerns about how our dollars are spent, there's a way to track down how decisions are made, but it's nowhere near as straightforward or as easy as it will be under this new program.

QUESTION: Is it fair to say, just to follow up, that at least at the moment there's not an explicit desire to alter -- I mean, it's still methodology that you're talking about; it's not necessarily that one's looking to reorganize the way that we -- or what we actually do with the aid money; it's more how we do what we do with the aid money? I mean --

SENIOR STATE DEPARTMENT OFFICIAL ONE: When the Secretary first got this job, she asked the question, "Well, how much are we spending on democracy promotion," which as you know from the President's Second Inaugural Address and many other things that he and the Secretary said, is very important. So she said, "Well, how much are spending on democracy?"

It turns out it is not that easy to get that answer. AID has democracy programs. A couple places at State have democracy programs. And that's not the way the situation should be. And so we think that this will have more significance than simply a bureaucratic change, as you put it originally. If you're asking us exactly what the changes we think changes will occur, we're not prepared to say that now. It is a change that will allow things to be dealt with in a much more systemic way, in a way that makes a lot more sense.

QUESTION: Do you anticipate that this change, when it happens, will tighten the structure and personnel? I mean, do you anticipate saving jobs over this or not? I mean, I would just assume, but maybe I'm wrong, that that was a consideration or at least a by-product, but maybe it's not. I don't know. Or are you going to add jobs?

SENIOR STATE DEPARTMENT OFFICIAL TWO: I might say two things here. We certainly have no intention to adding jobs initially and there might be some possibility --

SENIOR STATE DEPARTMENT OFFICIAL ONE: For this office.

SENIOR STATE DEPARTMENT OFFICIAL TWO: For this office. Making things more effective and having more jointness over the long run. But I think the critical thing is what we need is a core of people at both the State Department and AID who actually are more similar and can work more effectively together. What we need are a set of skills in both places which are shared between AID and State personnel, and that may be a more important consequence of this change than what happens to actual personnel numbers.

QUESTION: Well, just as a follow-up, why as part of this don't you just bring AID here and just call it one bureau here at State and forget about this State and AID stuff if you're trying to streamline?

SENIOR STATE DEPARTMENT OFFICIAL TWO: I mean, I think if you're thinking about more efficient changes that the cost of making that change in the short run, I mean, simply wouldn't outweigh the benefits that you could get. And we think by aligning these two agencies more effectively -- and they do have somewhat different tasks, we don't want to say that State and AID will be doing exactly the same thing -- that we're going to accomplish something better in the long run.

SENIOR STATE DEPARTMENT OFFICIAL ONE: Right. AID has unique skills and a unique mission, and the Secretary thinks it's important to maintain AID as an independent organization.

QUESTION: Why?

QUESTION: But doesn't that allow for more duplication? I mean, if you're going to avoid duplication, wouldn't you do what Charlie suggested?

SENIOR STATE DEPARTMENT OFFICIAL ONE: Look, in her view, by making this change, by making sure that the planning and the policies are aligned, that achieves -- that addresses the concern of duplication and redundancy.

QUESTION: The Secretary mentioned that she would be calling Senator Lugar to be pushing for more reforms. What are you hoping for? Because you've been up on the Hill quite frequently recently and some of your suggestions have sort of gone down like a lead balloon and others have been appreciated a little bit more. So I just wondered, what are you going to be asking for? What's your big push going to be?

SENIOR STATE DEPARTMENT OFFICIAL ONE: I'm not sure I'd describe it as a lead balloon. (Laughter.)

There's no question that part of the problem here is the account structure as it's legislated. It's something that, as we discussed, you know, in the Foreign Assistance Act of 1961 has been amended -- do you remember how many times? A bunch of times.

SENIOR STATE DEPARTMENT OFFICIAL TWO: Two hundred.

SENIOR STATE DEPARTMENT OFFICIAL ONE: Yeah. Many, many times since -- you know, over the last 40 years. And that's created a -- I think almost everyone would agree that's created a very patchwork system that's very confusing and that the system would be better if it were streamlined. The Secretary has had a lot of conversations with members of Congress that are interested in the subject, members of the Senate. She's had a lot of them up for breakfast to discuss it and trying to think through what's the best way to go forward.

She has decided now that we need -- would want to get her own house in order, but she's going to continue discussion with Congress and see if there's a way to improve the situation legislatively.

QUESTION: Are you going to be asking for more money?

SENIOR STATE DEPARTMENT OFFICIAL ONE: I don't want to speak to what's going to be in the President's budget request.

QUESTION: You mean AID or the office, or either?

QUESTION: Is the budget going to be different, two separate --

QUESTION: (Inaudible.)

SENIOR STATE DEPARTMENT OFFICIAL ONE: For this office, you mean, or for this change?

QUESTION: No, no, the program. The foreign aid program.

QUESTION: The foreign assistance --

SENIOR STATE DEPARTMENT OFFICIAL ONE: Look, I don't want to get into what's going to be in the President's budget when it's announced in early February, so I'd rather leave that.

QUESTION: Sir, can you clarify, will this new Director be in charge of MEPI, for example?

SENIOR STATE DEPARTMENT OFFICIAL ONE: His title is Director of Foreign Assistance so he's going to have broad authority over foreign assistance accounts.

QUESTION: Including that? Do the regional bureaus lose some things or the issue bureaus? I mean, that's NEA, right -- MEPI?

SENIOR STATE DEPARTMENT OFFICIAL TWO: The intention is that he would have overview, oversight responsibility, for all foreign assistance activities that are taking place in State and AID, and he will obviously do this by coordinating with existing -- with the bureaus here and at AID and with existing coordinators for various programs, but that he would have authority over all of these.

SENIOR STATE DEPARTMENT OFFICIAL ONE: There are bureaus within the State Department that control various accounts. Over time, they tend to think of those accounts, understandably, as theirs. They're not. They're part of the U.S. Government's foreign policy resources and they need to be spend according to coherent plans. So when you ask the question about the regional bureaus or the bureaus that do solely control accounts, then yes, they will work through this office.

QUESTION: Right. But can I --

QUESTION: (Inaudible.)

QUESTION: Can I please just follow up? But when you say that, do you mean that they're going to lose some kind of -- I understand what you mean about oversight, but are they going to have -- are they going to lose the kind of ability to say this is what my bureau needs?

SENIOR STATE DEPARTMENT OFFICIAL ONE: Absolutely not. I mean, they'll be able to say this is what my bureau needs. But the point of having this new office is to ensure that the money is spent according to a coherent plan and so their judgment is going to be examined and the new Director of Foreign Assistance is going to have the authority to redirect it if he and the Secretary think it should be spent in a different way.

MR. ERELI: Let's do one more question. Farah.

QUESTION: I just want to clarify what you had said earlier that 80 percent of the foreign assistance funding -- you said

80 percent was spent inside --

SENIOR STATE DEPARTMENT OFFICIAL TWO: If you look at all U.S. Government foreign assistance funding, I mean, it's in a number of different agencies. There's stuff in the Labor Department, the Agriculture Department. Eighty percent of U.S. assistance funding is in State and AID.

QUESTION: Can you give us a dollar -- the ballpark dollar figure of how much that represents?

SENIOR STATE DEPARTMENT OFFICIAL TWO: Official development assistance is, I think, about \$19 billion.

QUESTION: \$19 billion. But this person would -- this is \$19 billion throughout -- across the entire government?

QUESTION: Or no, you're saying USAID is --

SENIOR STATE DEPARTMENT OFFICIAL TWO: No, no, no. This is across the entire government.

QUESTION: Okay. So the amount -- 80 percent of 19 billion is spent --

SENIOR STATE DEPARTMENT OFFICIAL TWO: Yes, correct.

QUESTION: -- between State and AID.

SENIOR STATE DEPARTMENT OFFICIAL TWO: Let me qualify one other thing. If you look at the assistance accounts that are in the State Department, there are -- foreign assistance accounts, not all of them are official development assistance. So for instance, we have military assistance which is part of this program which are in State and AID. They're not official development assistance.

QUESTION: So that would not fall under this --

SENIOR STATE DEPARTMENT OFFICIAL TWO: Everything -- the foreign assistance accounts which total 19 billion at State and AID are within this program.

QUESTION: So is it fair to say this person will have oversight over accounts that will equal 19 billion in assistance?

SENIOR STATE DEPARTMENT OFFICIAL TWO: Correct.

SENIOR STATE DEPARTMENT OFFICIAL ONE: Yes. And that's --

QUESTION: Does that include Iraq assistance or is 19 billion that includes all the Iraq money under USAID?

QUESTION: No, isn't that number 80 percent of the total --

SENIOR STATE DEPARTMENT OFFICIAL ONE: Total overseas development assistance.

QUESTION: Right.

SENIOR STATE DEPARTMENT OFFICIAL ONE: Yeah, okay, I'm not being clear so let me try and do this. Look, there are two separate figures that total -- they both add up to about \$19 or \$20 billion. Okay? One figure is, if you look at the foreign assistance accounts that are in State and AID, there are 18 of those accounts. They're called foreign assistance accounts. They're the ones that he has.

QUESTION: Okay.

SENIOR STATE DEPARTMENT OFFICIAL ONE: All right. That is 80 percent of the total foreign assistance that the United States gives. All right. Now, I'm sorry I'm going to be a little technical here. Official overseas development assistance, as defined by the OECD, some of that \$19 billion would not be included in official overseas development assistance. That figure is also about \$19 billion for the U.S. Government.

QUESTION: How much -- if we wanted to say that this new post will oversee accounts that equal X billion dollars, what's the blank?

SENIOR STATE DEPARTMENT OFFICIAL ONE: Nineteen.

QUESTION: And did you ever find out how much the U.S. Government spends on democracy after a year of looking at this?

SENIOR STATE DEPARTMENT OFFICIAL ONE: I don't have the number in my head. I think we do have an answer, though.

QUESTION: Is the 19 billion 80 percent?

SENIOR STATE DEPARTMENT OFFICIAL ONE: Yeah. And that 19 billion is 80 percent of total U.S. official -- you know, of our -- we give -- our total overseas development assistance, official assistance, is about \$19 billion.

QUESTION: Total government, U.S. Government?

SENIOR STATE DEPARTMENT OFFICIAL ONE: Yes. All right. Eighty percent of official -- there are two separate things here: foreign assistance and official development assistance. Eighty percent. So we have \$19 billion in official development assistance; 80 percent of that is in the State Department. However, the State Department also has -- and AID have some funds which would not be classified under the OECD as official development assistance.

QUESTION: Okay.

QUESTION: Would that be Iraq money or would that -- does this \$19 billion include all the Iraq --

QUESTION: (Inaudible) training?

QUESTION: Because that's a big chunk of --

SENIOR STATE DEPARTMENT OFFICIAL ONE: I meant the military training is included and foreign military funding, FMF money, is included in the \$19 billion.

QUESTION: Oh, all right.

MR. ERELI: I think we're going to have to continue this in another venue.
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