

**Testimony of
Acting U.S. Director of Foreign Assistance and Acting Administrator of USAID
Senate Foreign Relations Committee
Hearing on Foreign Assistance Reform
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Thank you, Chairman Menendez and Ranking Member Hagel, for the opportunity to testify before the Subcommittee today. I thank you for your interest in what the State Department and USAID are doing to strengthen U.S. foreign assistance, and I want to address your concerns.

As President Bush has said, “We are a compassionate nation. When Americans see suffering and know that our country can help stop it, they expect our government to respond. We help the least fortunate across the world because our conscience demands it. We also recognize that helping struggling nations succeed is in our interest.”

With the full support of Congress, America’s deeds have matched the President’s words. For instance we have quadrupled our bilateral foreign aid for sub-Saharan Africa. Our assistance has helped provide food to the hungry, medicine to the sick, security in troubled regions, and educational and economic opportunities to people of every creed and culture.

Let me be clear, the dramatic increases in American foreign assistance in the 21st Century required collaboration among all stakeholders—between Congress and the Administration, both political parties, and the broad and vibrant development community, without whose partnership and support our efforts on the ground would not be possible.

In America today, old divisions between those who saw foreign aid as a tool to influence strategic partners and those who viewed it as a means of doing good in the world are giving way to a new unity of purpose. There is a growing consensus that global development is both a moral ideal and a national interest. From community leaders to corporate leaders, religious leaders to movie stars to college students, Americans recognize that if we—as members of the global community—are to address the most difficult challenges of our time, we must all work together.

But as Secretary Rice has rightly noted, as we increase the quantity of our foreign assistance, we must also work to improve its quality. That is why she launched an effort to reform U.S. foreign assistance.

Probably the greatest challenge at hand is that of getting the balance right between field expertise, overall administration objectives and Congressional intent. Often this is a difficult balancing act with State and USAID staff being pulled in competing directions. We need a process that figures out a way to balance those sometimes competing perspectives.

The Case for Reform: A Need to Work Together

Mr. Chairman, when Secretary Rice arrived at the Department two years ago, she asked a basic question: How much is the United States government spending on democracy promotion?

This question goes to the heart of America's post-9/11 foreign policy of protecting America by encouraging good government around the world.

Incredibly, she found it extremely difficult to get a straightforward answer.

The problem is that our foreign assistance was stove-piped into numerous separate accounts, overseen by multiple officials, each with different standards of measurement and different ways to judge success or failure.

This left decision makers, including the Secretary of State and members of this committee, without an effective way to judge trade-offs, weigh priorities, or allocate money in a truly strategic way to meet America's foreign policy goals.

Our ambassadors often only had a vague idea about some of the programs being implemented in their countries. Our State assistant secretaries and USAID assistant administrators, had no adequate way to ask what are our long term goals in a given country and how are we using all of our many forms of assistance to achieve them. Funding trade-offs were often decided by budget officials rather than by those charged with carrying out America's foreign policy.

Such a system would be considered deficient under any circumstances. But in the post-9/11 environment, as we focus on the threats germinating in failing states and work with our local partners to transform conditions within those states, Secretary Rice found the situation unacceptable. I have no doubt that her successors will agree with that judgment.

To address the problem, she established the position of Director of Foreign Assistance and delegated authority over most forms of State and USAID foreign assistance to that official. The goal was to build a system in which we can make strategic choices and ensure that foreign assistance is spent wisely and advances our foreign policy objectives.

We are at the beginning of this important reform process, not the end. We must continually work to improve our reform.

There is no question that reform and institutional change are difficult. They take time. But I believe that if we work together, we can make significant improvements. Already, we have begun taking some key steps—such as starting to develop the tools to link assistance programs across the U.S. government to our foreign policy goals.

In my acting capacity and if confirmed, I am committed to increasing consultation and communication with you and our many stakeholders as we take the next steps in this reform effort. Together, I believe we can make it work.

Progress to Date: New Tools

As you know, I appear before you today in my capacity as Acting Director of U.S. Foreign Assistance and as Acting Administrator of the U.S. Agency for International Development, an organization for which I have long had much respect and admiration. I have been serving in this

acting capacity for a little over a month and looking at what has been accomplished and what can be improved.

Consistent with the need to improve the coherence and coordination of State and USAID foreign assistance be improved, for the first time in the FY 2008 budget, the two agencies integrated their budget planning, taking into account a broader totality of U.S. Government resources—including resources provided by the President's Emergency Plan for AIDS Relief and the Millennium Challenge Corporation.

This integrated planning was based on our government-wide commitment to a shared goal—the goal Secretary Rice has articulated as Transformational Diplomacy: “to help build and sustain democratic, well-governed states that respond to the needs of their people, reduce widespread poverty, and conduct themselves responsibly in the international system.”

The goal itself has already benefited from collaboration. In response to recommendations received from many of you, our colleagues in the international development community, and our host government counterparts, that goal now expressly includes poverty reduction.

I am committed to continuing our work in an increased spirit of consultation. I also intend to move forward immediately with more intensive collaboration with the broad and vibrant development community. This past week I have met with the Board of the Advisory Committee for Voluntary Foreign Assistance, Interaction, The Society for International Development and many other development leaders.

Having served at USAID in both regional and functional bureaus, I know that effective development requires a more thorough effort at collaborating with multiple partners at the multilateral, bilateral, country and even local level. I pledge to enhance consultation with the development community, especially as it relates to improving our aid effectiveness at the country-level.

The first step in this reform effort was developing a new strategic framework for foreign assistance and beginning to agree on how we will define progress. Now that we have a framework and the beginnings of a common language around foreign assistance, we must work to ensure our activities are targeted to help countries move from a relationship defined by dependence on traditional foreign assistance to one defined by partnership.

A set of common definitions and indicators, on which we are still soliciting and accepting suggestions, will allow us to compare partner, program, and country performance across agencies and sources of funding. These new tools are being used to create detailed country-level operational plans that describe how resources are being used.

The first such plans—produced for a FY 2007 pilot by 67 fast-track country teams, including most USAID missions, and many Embassies, offices and bureaus—were approved just before I was nominated. I look forward to becoming familiar with these plans and consulting with the Congress as we implement them.

They will allow us to provide you in Congress, the American people, our partners around the world, and those we seek to assist with the means to readily access and understand foundational components of our foreign assistance initiatives, namely:

- First, across the U.S. government, what are we trying to accomplish with our foreign assistance in a particular country;
- Second, with whom are we working—both inside and outside the USG—toward our objectives;
- Third, how much are we spending across the board; and
- Finally, what results are we achieving.

Our foreign aid programs do a lot of good in the developing world. These programs save lives and lift individuals from poverty. But, we do not want simply to achieve disconnected good outcomes; we want to lift nations, and all their citizens – including the poorest – to permanent prosperity. We want to create more donor nations. We want countries to build their own schools, and train their own teachers. That was the motivation that impelled the reforms.

Ultimately, our aim is to significantly improve the human condition, and to develop the tools to know if we are reaching our goal.

Looking Ahead: Improvements for FY 2009

The Secretary and I are committed to continuous learning and improvement of the tools, processes, and principles of the reform. It is my strong desire to communicate, collaborate, and simplify this process. Reform itself is important – to all of us – and we are just beginning to go down this road together.

As you know, the office to manage this system only became operational last June, in the middle of the fiscal year. Staff had to be detailed from many bureaus, new procedures had to be developed, a new way of doing things had to be accommodated. To be sure, decisions were not as transparent as they will be in the future. Some decisions need to be reviewed, some procedures need to be amended and some need to be abandoned altogether. And some decisions are good building blocks for the future.

With a view toward improving the FY 2009 process, an After Action Review was conducted of the new budget formulation process. Review sessions were attended by a mix of people from State and USAID regional and functional bureaus, including both mid-level and senior-level individuals in the field and Washington.

It was especially important that the field's views were heard, therefore, at least one USAID mission and one Embassy representative were included in the After Action Review from every region of the world. Suggestions were also solicited from other USG offices and agencies, such as the Department of Defense, Department of Justice, Office of the Global AIDS Coordinator, and the Millennium Challenge Corporation. Already, as a result of this review, we have formalized and increased opportunities for the field to be involved in every stage of the budget process. We have also streamlined processes and improved how we communicate.

I pledge that in my acting capacity and if confirmed, I will continue to seek and respond to suggestions from stakeholders in Congress, in the NGO community, the university community, the USG's many other development partners, the donor community at large and of course in the USG agencies.

Conclusion: A Commitment to Communication and Collaboration

As Acting USAID Administrator and Acting Director of Foreign Assistance, I have made it one of my top commitments to enhance communication about what we are trying to accomplish with the Secretary's Transformational Diplomacy agenda and foreign assistance reform generally. I expect to be fully engaged here in the United States and abroad in outreach efforts to build greater understanding of U.S. foreign assistance and the role it has played in building a more peaceful, prosperous world.

This is important not just for foreign assistance but also to help build support for U.S. foreign policy around the world. There is no better diplomacy for the United States than effective development assistance, combined with effective communications about these efforts to host country audiences. I think our ability to communicate what we stand for as a nation will be improved by foreign assistance reform.

I have spent the vast majority of my time over the last few weeks listening – listening to my senior management at State and USAID as well as doing “walk throughs” to speak to all my colleagues in USAID and the Office of the Director of U.S. Foreign Assistance.

People are the most important part of an organization, and both USAID and State have remarkable and extraordinarily capable people. As Americans, we are well served by the hard work and dedication of all the fine people in these organizations. I know they can achieve foreign assistance reform and I know they can do it well. I will work equally hard to listen to your concerns, their concerns and the community's concerns to ensure that we use best practices to achieve results.

In that same vein, I am here to listen to you. I hope to begin implementing a process moving forward that makes it easy for you to provide suggestions and receive timely answers to your questions, as well as a process which respects your opinions and ultimately makes our aid more effective.

As we move forward, we must always remember that at a time when some of the greatest threats to our people come from conflicts within states, it is not enough to have a foreign assistance program that merely cements government-to-government relations. As the Secretary has said, “Our foreign assistance needs to be an incentive for transformation, not a source of dependency.” Improving the quality of our assistance is essential to transformation and we cannot improve the quality without reform.

My commitment to you is that I will always strive to consult fully with the Congress, to make decisions as transparently as possible and to make foreign assistance live up to its promise.

Thank you, and I would be pleased to answer any questions you may have.