

**THE CASE FOR REFORM: FOREIGN AID AND  
DEVELOPMENT IN A NEW ERA**

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**HEARING**

BEFORE THE

**COMMITTEE ON FOREIGN RELATIONS**

**UNITED STATES SENATE**

**ONE HUNDRED ELEVENTH CONGRESS**

**FIRST SESSION**

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**JULY 22, 2009**  
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# **THE CASE FOR REFORM: FOREIGN AID AND DEVELOPMENT IN A NEW ERA**

**WEDNESDAY, JULY 22, 2009**

U.S. SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC.*

The committee met, pursuant to notice, at 2:38 p.m., in room SD-419, Dirksen Senate Office Building, Hon. John F. Kerry (chairman of the committee) presiding.

Present: Senators Kerry, Menendez, Cardin, Shaheen, Kaufman, Lugar, Corker, and Wicker.

## **OPENING STATEMENT OF HON. JOHN F. KERRY, U.S. SENATOR FROM MASSACHUSETTS**

The CHAIRMAN. The hearing will come to order. I apologize for being a little bit late.

We are here today to continue an ongoing conversation on foreign aid reform. For the past 6 months, the administration has been busy laying the groundwork for a new development agenda.

First, the President issued a bold 2010 international affairs budget that significantly increases funding for vital programs in Pakistan and Afghanistan, begins to rebuild our diplomatic and development capacity, and renews our commitment to essential programs from education to HIV/AIDS efforts and hunger.

Then, earlier this month, President Obama and other G8 leaders announced a \$20 billion food security partnership to provide small farmers in poor countries with the seeds, fertilizers, and equipment they need to break a decades-long cycle of hunger, malnutrition, and dependency.

Finally, the State Department unveiled plans for a Quadrennial Diplomacy and Development Review, a comprehensive assessment designed to improve policy, strategy, and planning at the State Department.

And while we are still awaiting a nominee to head the U.S. Agency for International Development, I am confident that a name will be forthcoming soon.

These are all welcome changes that demonstrate the administration's commitment to a vigorous reform process and a bold development plan. Congress intends to be a strong partner in those efforts—to provide the resources, to legislate and ensure that our development programs are funded and designed to meet our priorities.

We look forward to actively working with the administration to shape the Quadrennial Diplomacy and Development Review and

other important priorities. And while there is some debate as to what form foreign aid reform ought to take, there is a broad consensus in the development community as to why reform matters.

Experts agree that the strength of our development programs is directly linked to success or failure in frontline states like Afghanistan and Pakistan. They agree that USAID is more critical to achieving our foreign policy objectives than ever before, yet it lacks the fundamental tools, capacity, and expertise to fulfill its mission.

They agree that too often decisionmakers lack basic information about the actual impact of our development programs, and they also agree that excessive bureaucracy and regulations and fragmented coordination are hampering our efforts to swiftly and effectively deliver assistance. And they agree that even as we plan for broad fundamental reform, there are many steps we can take in the interim to dramatically improve the effectiveness of our foreign aid efforts.

I might add I don't know how many folks here—and I have recommended this book to a number of people recently, but “Three Cups of Tea” by Greg Mortenson is an exquisite example of the disparity sometimes in how to deliver aid and how effective we are. And all you have to do is read that book and look at the efforts that he has made to open over 300 schools in Pakistan and Afghanistan, probably each of them built at about 20 percent of, and certainly a quarter of, the cost of schools formerly built under USAID or other programs and with much greater impact because of the way in which local communities and leaders were invested in those efforts.

I don't want to go on and on about it, but I have to tell you it is just a dramatic example of the way in which creative efforts could be so much more effective at doing the kinds of things that we try to do.

We assembled a small bipartisan Senate working group to formulate legislation that makes short-term improvements while setting the stage for longer term reform, which we understand we need.

Senators Lugar, Menendez, and Corker, and I have been developing initial reform legislation that we believe goes a long way toward improving our short-term capacity to deliver foreign aid in a more accountable, thoughtful, and strategic manner. One provision in the bill that we believe is particularly important establishes an independent evaluation group based in the executive branch to measure and evaluate the impact and results of all U.S. foreign aid programs across all departments and agencies.

This new institution can address a fundamental knowledge gap in our foreign aid programs, and quite simply, it will help us to understand which programs work and which do not and why.

I want to emphasize that this legislation really only represents the first step in a longer reform process, but we believe it sends an important bipartisan signal that foreign aid reform will be a priority for the committee in the years ahead.

I am delighted to welcome our three witnesses to this hearing, three of America's top development professionals. The Hon. Peter McPherson is a former USAID administrator, who has served as president of Michigan State University and chairman of Dow Jones. His understanding of how foreign aid works in the devel-

oping world has been shaped by years of service, beginning with the 2 years he spent right out of college as a Peace Corps Volunteer running a food distribution program in a Peruvian village.

Dr. Jeffrey Sachs heads The Earth Institute at Columbia University and is a special adviser to the U.N. Secretary General Ban Ki-moon on the Millennium Development Goals and a friend of mine from Massachusetts days. At age 29, Dr. Sachs became one of the youngest economic professors in the history of Harvard, where he taught for over 20 years. So he is not only one of the world's leading voices on sustainable development, he has got the virtues of being a longtime constituent.

Reverend David Beckmann is president of Bread for the World and a cochair of the Modernizing Foreign Assistance Network. And Reverend Beckmann is a clergyman as well as an economist, brings a religious and moral perspective to this, and I have worked with him and have great respect for his significant policy expertise. And we are grateful for your efforts to help the world's poorest.

I look forward to an important and engaging dialogue here today. Senator Lugar.

**STATEMENT OF HON. RICHARD G. LUGAR,  
U.S. SENATOR FROM INDIANA**

Senator LUGAR. Mr. Chairman, I thank you for calling the hearing, bringing together such distinguished witnesses and very dear friends, and we appreciate your coming.

The State Department, as you have pointed out, is currently engaged in the Quadrennial Review of Diplomacy and Development. This review is likely to have far-reaching implications for foreign assistance policy and organization. The basic question with regard to development is how we can best strengthen the capacity of USAID to run effective foreign assistance programs.

Earlier this month, Secretary Clinton stated, "I want USAID to be seen as the premier development agency in the world, both governmental and NGO. I want people coming here to consult with us about the best ways to do anything having to do with development."

I share her sentiments, and I have confidence in the extraordinary development expertise housed at USAID. But during the past two decades, decisionmakers have not made it easy for USAID to perform its vital functions. Development resources declined precipitously in the 1990s, and decisions to reorganize in pursuit of better coordination between the Department of State and USAID resulted in the latter's loss of evaluation, budget, and policy capacity.

Events since 2001 have spurred greater investments in foreign assistance, but many of these resources have been located outside USAID. Roughly two dozen departments and agencies have taken over some aspects of the foreign assistance, including the Department of Defense.

I believe the starting point for any future design of our assistance programs and organizations should not be the status quo, but rather the period in which we had a well-functioning and well-resourced aid agency. To be a full partner in support of foreign policy objectives, USAID must have the capacity to participate in pol-

icy, planning, and budgeting. These functions have migrated to the State Department, feeding the impression that an independent aid agency no longer exists.

The President has advocated doubling foreign assistance over time. If the administration pursues this goal, it is crucial that Congress has confidence that these funds will be used efficiently. USAID, the Agency housing most of our Government's development experience, must have the capacity to evaluate programs and disseminate information about the best practices and methods, and it must have a central role in development policy decisions.

With these objectives in mind, it has been a pleasure to work with the chairman, Senator Kerry, with Senator Corker, with Senator Menendez, and others on a bill that will strengthen USAID. We will introduce this bill soon. The draft bill has received strong initial support from outside groups, led by the Modernizing Foreign Assistance Network. Our witnesses today have all received a draft of the bill, and we look forward to their comments on it.

The legislation that we have developed promotes capacity, accountability, and transparency in U.S. foreign assistance programs. There are three deficiencies we are trying to address.

First, the evaluation of assistance programs and the dissemination of knowledge have deteriorated in the last couple of decades. While USAID was a respected voice in this regard during the 1980s, an evaluation capacity has been allowed to wither.

The bill strengthens USAID's monitoring and evaluation capacity with the creation of an internal evaluation and knowledge center. The bill also reestablishes a policy and planning bureau, a function that has migrated to the State Department. It is crucial that USAID be able to fully partner with the State Department in decisions relating to development.

Second, U.S. foreign assistance programs are littered among some two dozen agencies with little or no coordination. We do not have adequate knowledge of whether programs are complementary or working at cross-purposes.

The bill requires all Government agencies with a foreign assistance role to make information about its activities publicly available in a timely fashion. It designates the USAID mission director as responsible for coordinating all development and humanitarian assistance in country, and it creates an independent evaluation and research organization that can analyze and evaluate foreign assistance programs across Government.

Third, staffing and expertise at USAID have declined since the early 1990s, even as the funding for foreign assistance programs has increased. This decline in capacity has resulted in other agencies stepping in to fill the gap. While Congress has begun to provide the necessary resources to rebuild this capacity, the Agency does not have a human resources strategy to guide hiring and deployment decisions.

The bill would require such a strategy and a high-level task force to advise on critical personnel issues. The bill also encourages increased training and interagency rotations to build expertise and effectiveness.

It is especially important that Congress weigh in on this issue because the administration has yet to appoint a USAID adminis-



trator or to fill any confirmable positions in the Agency. Without an administrator in place, USAID is likely to have less of a role in the current State Department review than it should have. The State Department review process should include strong voices advocating for an independent aid agency, and it is not clear that this is happening.

Both Congress and the State Department should be offering proposals on how to improve development assistance. Our legislation does not rule out any options that the State Department may propose as a result of its review.

But ultimately, Congress will have to make decisions on resources for development programs. And given budget constraints, it is essential that Congress have confidence in how development resources are spent. Building capacity at USAID will be an important part of this calculation.

The issues that we face today—from chronic poverty and hunger to violent acts of terrorism—require that we work seamlessly toward identifiable goals. I look forward to working with colleagues on this committee to advance this bill and to support the development mission that benefits our long-term security.

I thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Lugar.

I would just say to my colleagues that Senator Levin has asked me to come to the floor to introduce an amendment, which I need to do at some point here in the near term. But I will leave the gavel in the hands of our good ranking member, and we have terrific bipartisan support for this. I thank Senator Corker and Senator Menendez and others for their input on it.

Mr. McPherson, if you would lead off, and then we will just run down the table and then open it up for a period of questions. If you could do a summary of your total statement, I think it is helpful to the committee. And then we will put your full statement in the record as if read in full. And that way, we can have more time for a little give and take.

Mr. MCPHERSON. I will do exactly that, Senator.

The CHAIRMAN. Would you push your mike button there?

**STATEMENT OF PETER MCPHERSON, PRESIDENT, THE ASSOCIATION OF PUBLIC AND LAND GRANT UNIVERSITIES, FORMER ADMINISTRATOR OF USAID, WASHINGTON, DC**

Mr. MCPHERSON. I will do just that, Senator. It is good to be before this committee again. I compliment the committee for this process. I do hope, as you proceed, that the committee will act on this bill because I think it is such an important topic.

A few comments about the structure of the foreign aid program itself. I applaud your provisions concerning personnel. We need to have senior technical and career leadership in the Agency to be able to do what we wish to achieve.

I urge that the Agency look at some retirees. I spoke to the AID retirees just last week. I know there is some real interest there. There is some outstanding leadership I believe available. Look at some senior faculty at some of the universities around the country who have managed projects, people that could do an outstanding

job. And my organization, which is Public and Land Grant Universities, would be happy to help.

I would urge that the committee in some fashion discuss with the Agency their use of so-called administrative-determined “AD” authority. This authority has been on the books for decades. I remember using it extensively. It is specifically for the purpose of bringing in mid-career or above people for the Agency. All you have to do is get the security clearances. Otherwise, you can bring in people a lot more quickly.

It has been used historically, sometimes, for political appointees, but often for the technical and leadership capacity. I can think of a number of people that I brought in for exactly that purpose.

I believe, as you have mentioned, that AID having its own policy capacity is critical. I believe it needs a budget capacity as well, and that a budget capacity doesn’t preclude State having an oversight role engagement on the budget. Frankly, an agency without budget and policy is sort of a super contractor and not really an agency at all. You won’t keep the coherence that you absolutely need.

I think the focus of this bill on evaluation is very important. It was too bad, really most unfortunate, this was substantially cut out of AID because of budget concerns and other issues. An agency that can’t learn from its mistakes inevitably becomes sterile and ineffective. The lessons learned provision, Senator, that is in the bill is complementary. And by the way, I think those two offices should be under the same substructure.

The bill also has, as was mentioned, a cross-agency evaluation function. My thought is that you might think about that becoming kind of a “think tank” function. That, outside the academy, doesn’t have a great name, I suppose. But a cross-agency board, which you have in here, to keep it vital and focus on some key issues I think would—might well do a very good job. And you need some way to tie these places together in terms of policy.

I worry a little bit the cross-agency evaluation function could fairly quickly morph into another IG or GAO, and I know there is some thought about this. But a think tank function, and perhaps a better word, can really help drive places, particularly if it is outside, but not totally.

I agree with the bill’s proposal that someone in a country needs to be responsible for all of the development activity of the U.S. Government reporting to the ambassador. Logically, that would often be the USAID mission director. In days past, that was fundamentally the way it worked.

As I go around the world, these days I find so often that the people in a country, the ministries are confused as to who is in charge of what. It is almost embarrassing, but more importantly, it is ineffective.

I think the Quadrennial Diplomatic and Development Review is a very good idea, long overdue. I agree with you, Senator, that we need to have an AID administrator in place and we need to have that review, have senior development people. Otherwise, it will simply not accomplish what was expected.

Let me compliment you, Senator Lugar and this committee, on the Lugar-Casey bill, which has passed the committee and I hope gains substantial more sponsors and ultimately becomes law. There

is a companion bill in the House. This is very important. It really reflects our beginning to right the balance that over the last 20 years or so where AID has become more and more of a humanitarian, immediate relief agency and not a long-term development agency.

These short-term needs are critical. If you are one of the parties benefiting from them, you surely think they are critical—

The CHAIRMAN. Mr. McPherson, could you just bring the mike a little toward you? Pull it toward you. Just pull it toward you. There you go.

Mr. MCPHERSON. You surely think it is critical. But the requirement is that you have long-term development so to achieve the goals that you wish.

One last point, and then I am through, Senator. I believe that there is huge merit in the U.S. Government having a means to listen to what the country wants to have done. When you look at countries that have made the most progress over the last generation, it is largely countries that have had leadership that wish to make progress for their people and which had taken their own destiny in their own hands.

There was outside help, but they drove it. And the central idea, which was a very good one in the MCC, was this concept of what do the countries need and want?

I would recommend, and I choose this word carefully, that our AID programs, our development programs there be a presumption, a “presumption” that what a country’s agenda is should be our agenda. It has to be a presumption because there are a lot of other factors, including within the country.

But somehow or the other, we need a way to structurally—structure in listening to what a country needs. It is not just kind of a politically correct thing to say. It has, in fact, been where we have made real progress.

Again, I congratulate this committee on legislation, the Lugar-Casey bill, the convening of this meeting for this bill, and I urge you to take action, as you obviously are deeply inclined to do.

And I thank you.

[The prepared statement of Mr. McPherson follows:]

#### PREPARED STATEMENT OF PETER MCPHERSON

I am pleased to appear before this committee again and I appreciate the attention the committee is giving to foreign aid reform.

Let me start by urging the committee to pass out of committee the legislation you now are considering that would increase accountability; strengthen and coordinate U.S. foreign assistance in the field; and augment the technical capacity and human resources of the U.S. Agency for International Development (USAID). I have some specific suggestions and I think it is important the committee act on these matters.

#### THE ORGANIZATION OF USAID AND RELATED MATTERS

Former USAID administrators Brian Atwood, Andrew Natsios, and I provided our view in detail in the November 2008 edition of *Foreign Affairs*. We argued that a strong independent USAID is important for development to play its appropriate role in the three “Ds” of Defense, Diplomacy and Development. I think our views are widely held in the development community, with many believing that the head of USAID should be a member of the cabinet.

I personally feel it is practical for the USAID administrator to report to the Secretary of State but otherwise be separate from the U.S State Department. That was the structure when I was administrator for almost seven years in the 1980s. I

worked hard to respond to the needs of the Secretary of State but also led the development work. I had strong support from both Secretaries of State under whom I served. I know there were times when my greater freedom of action and independence was appreciated, e.g., some of our approaches to famine issues, etc.

The Obama administration has apparently decided a somewhat different approach to the State Department-USAID relationship and, of course, I respect their right and responsibility to do so. However, I feel there are a number of steps that can be taken, many of them reflected in the bill before this committee, that can greatly strengthen USAID and benefit the State Department in leading U.S. foreign policy.

It is important that the technical and senior career leadership of USAID be augmented with additional people. Not enough can happen without these people. In fact, if USAID had the sizeable technical and senior leadership workforce today that it did 20 years ago there would be less need for the legislation you are considering here. I believe the committee, appropriators and the State Department support USAID's Development Leadership Initiative, as do I. This is a major step toward rebuilding USAID's technical capacity. I applaud these provisions in the bill.

Augmenting staff must be more than adding junior people. USAID needs to bring in senior staff while a new, younger workforce gains experience. A priority should be placed on recruiting excellent retirees for senior staff positions during the next few years. For example, USAID should look to senior university faculty with long experience working on agricultural issues in the developing world. I know this is easier to suggest than actually do, but our universities are populated with many experienced faculty willing to serve. My organization of the large public and land-grant universities would be happy to help USAID identify appropriate university people. USAID should consider using its administrative determination authority positions to make these appointments. This is a decades old authority for the explicit purpose of bringing in senior technical staff. The legislative authority is, however, fairly broad and has been used to recruit political appointees as well as technical people and senior leadership. It is a flexible tool that is faster and more certain than the usual process and should be helpful for immediately building senior technical and leadership strength.

It is critical that USAID have its own budget and policy capability, preferably in the same USAID office. USAID needs to be able to argue a coherent overall budget to the State Department in order for there to be a full voice for development. Budget and policy drive each other and are inextricably linked. I have both a management and finance background and know that USAID/development must have a role in creating their budget in order to sustain a coherent and sustained structure. A USAID budget function will not detract from the State Department's ability to consider those proposals for the whole foreign affairs budget.

USAID must have a strong policy office to be a creditable organization, as your bill recognizes. The development agency has to be able to provide well-reasoned analysis and recommendations for the State Department to consider. I support the bill's provision to reestablish a Bureau of Policy and Strategic Planning at USAID.

The fear of a merger/closer integration of USAID into the State Department has always been that the immediate foreign policy concerns of the more powerful State Department would generally undermine the long-term development goals of USAID. Without budget and policy strength at USAID that scenario is more likely to happen. While foreign assistance is part of overall U.S. foreign policy, development must have a strong voice to articulate how a development strategy strengthens foreign policy goals.

I applaud the bill's focus on evaluation. The function should never have been cut back at USAID. An organization that does not learn from its mistakes is bound to become sterile and ineffective. I suggest that the strong evaluation function be within USAID itself. It takes senior level attention but I think appropriate staffing can avoid some of the institutional bias and engender much genuine independent and constructive analysis. The evaluations, as suggested in the bill, should focus on a few key outcomes as recommended in the bill, not process and inputs.

I support reestablishing the lessons learned center suggested in the bill, probably associated with the evaluation office.

I also suggest that additional reflection be given on the bill's cross-agency evaluation function. Even given the bill's safeguards, I think it could easily evolve into overlapping its functions with the Inspector Generals and Government Accountability Office (GAO). Instead, I recommend that the cross-agency office undertake major studies of issues and problems. I believe there is some thinking along these lines in the committee. This office could be something of a "think tank" that is kept vibrant and relevant by a board from several agencies. This certainly is not full agency coordination, but it could contribute to that goal. A National Academy model could be considered, for example.

Overall, I support the bill's recommendation of coordination in the field. There needs to be someone in the field, frequently the USAID mission director, who is responsible for the overall coordination of U.S. assistance programs, and in turn, reports to the ambassador. The lack of this person is a major problem in many countries. I realize this gets complicated in individual countries but the problem must be dealt with.

I applaud Secretary of State Hillary Clinton for the decision to undertake a Quadrennial Diplomacy and Development Review. This is a long overdue. It is important for development to have a senior voice in that review to achieve its goals.

#### THE DEVELOPMENT AGENDA

I applaud the committee's leadership earlier this year in passing S. 384, The Global Food Security Act, authored by Senators Richard Lugar and Bob Casey. While a number of factors were responsible for the acute global food crisis last year, one of the major causes was agricultural productivity in many developing countries. S. 384 will commit the U.S. to increase investment in agriculture, in part by engaging U.S. colleges and universities in collaboration with higher education institutions in developing countries to build their research, training and outreach capacities. The President's and the Secretary of State's leadership on this issue is wise and also deeply appreciated.

In general, I believe that during the last 20 years USAID has moved away from long-term development and more toward transferring goods and services. The issue is not easy because the immediate needs are so great. But it is important that long-term development not be crowded out and that is why I am pleased by the support for agriculture. Sustained progress usually comes by building human resources; creating and distributing technology; and building institutions, stable governments and reasonable economic policies. Often infrastructure plays a key role. There clearly needs to be a balance between programs for addressing urgent short-term human needs and longer term development activities to sustain progress. That is why the food security legislation passed earlier this year is so important.

I note that much of the progress around the world in the last several decades has been in countries where leadership wanted to see better lives for their people and where the country has taken control of their own future. We need to do a better job of listening to these countries and how they define their needs to the extent practical as we plan our development program. This is the real strength of the Millennium Challenge Corporation (MCC). But we should not limit giving full consideration to needs as set forth by only MCC countries. There should be a "presumption" that we will support a country as it sees its needs. Note that this is a "presumption" only because there may be other factors that are critical.

I close by again congratulating the committee for considering foreign aid reform legislation and for its earlier passage of S. 384.

The CHAIRMAN. Thank you very much, Mr. McPherson.  
Professor Sachs.

#### **STATEMENT OF JEFFREY D. SACHS, DIRECTOR, THE EARTH INSTITUTE, COLUMBIA UNIVERSITY, NEW YORK, NY**

Dr. SACHS. Mr. Chairman, Senators, thank you for the opportunity to be here, and I am, indeed, a longstanding and delighted constituent of yours and a great fan also.

And I thank all of you for taking on this issue, which sometimes seems a little bit beside the point or out of the mainstream or esoteric. But it is my feeling, after 30 years of work in the international arena and in development, that this is absolutely vital to successful foreign policy. And a lot of our greatest difficulties and challenges are going to remain unsolved unless we dramatically increase and improve the extent and quality of our development programs.

It is striking that the big picture in today's *New York Times*, which, if you haven't seen it yet, runs the headline "Radical Islamists Slipping Easily Into Kenya."

We are working, as part of a project that I direct for the U.N., exactly in this area, in Garissa district in northeast Kenya. It is

an extreme drylands area. It has a baseline where 90 percent of the children are not in school. There is no water. There is no viable livelihoods.

There is absolutely no way to maintain law and order, to guard against Islamist extremists slipping into an area like this, to avoid recruiting of violence and so forth, if these places remain in the path of deterioration that they are in now.

Now in the project that we are involved in, for a very, very small amount of funding, by putting in bore wells, clinics, schools, the situation can be dramatically changed. We have done that in a community of about 15,000 people, and the school attendance has gone from about 10 percent to about 90 percent, including the girls. This is a matter of what directed effort can mean.

We face these problems over a large part of the world right now. We are there because of private philanthropy, not because of a U.S. program right now. But this is the kind of effort that absolutely is central to our most core needs, whether it is Afghanistan, Somalia, Sudan, Kenya, or Haiti, where I was last week, and many, many other parts of the world.

Let me quickly summarize 10 specific recommendations, if I might? First, I believe that the focus of U.S. official development assistance—ODA, as it is called—should be sustainable economic development, meaning the integration of environmental and economic development objectives. If we do not integrate the climate and environment with the development, as, Chairman, you have so eloquently led on and advised our country on for so many years, we will fail.

So I think we should be explicit because this is not a traditional way of thinking of USAID—that climate, water, environmental, sustenance, biodiversity are a core part of the development agenda. And if you look at the inside picture of this story, these dust storms, this is the reality of the world where we face the greatest challenges right now. So all of these issues are interconnected. I would like to see the legislation make sustainable economic development an explicit cornerstone of our legislation.

Second, I believe that the United States should explicitly embrace the globally agreed development goals, starting with the Millennium Development Goals and the goals of the U.N. Framework Convention on Climate Change. I would add the U.N. Convention to Combat Desertification and several U.N. and G8 commitments on global health.

For some reason, our country has steered away from championing the very goals as they are described by the whole world community, starting with the Millennium Development Goals. To my mind, this has put the United States outside of the potential for our leadership and our leveraging, and I think it is something that we could—it is waiting desperately for the United States to pick up. The world wants the U.S. leadership on the Millennium Development Goals, also on climate change.

And I believe that the legislation would be strengthened by making it clear that as we have signed on, and as we have said in summit after summit, meeting after meeting, general assembly resolution after general assembly resolution, that we are part of the world's shared objectives in these goals.

Third, focus development assistance on low-income regions in greatest need, including sub-Saharan Africa, Central Asia, Haiti, and the Andean region. This may seem obvious, but development aid often gets diverted by the short-term emergency rather than the long-term development need. And I hope that we can keep our focus on these critically important impoverished areas that are stuck right now.

Four, launch a specific sustainable development initiative for the drylands, and the *New York Times* picture and story is exactly in line with this. Across the Sahel, the Horn of Africa, the Arabian Peninsula, Western Asia, and Central Asia, addressing the intersecting challenges of hunger, disease, livelihoods, energy, and water scarcity. We have a swath of about 10,000 miles from roughly Mali to Afghanistan, which is all in a shared ecological zone where livelihoods have crumbled and where extremism and violence and terrorism and local conflict are pervasive.

My experience working in this region for 20 years is that this is no coincidence. This is a region under greater stress than any other part of the planet, and we need a development focus that understands the ecological underpinnings of this crisis.

This is not primarily starting as an ideological crisis. It may be ending there. It is starting as an ecological disaster. Hungry people, collapsed livelihoods, water scarcity, bulging populations, and we are not there, I know it, in development terms almost anywhere in that whole region. And that is where our troops are, and we need to understand better the underlying ecological and developmental challenges of the drylands.

Fifth, rebuild the analytical capacity of USAID to diagnose the obstacles to sustainable economic development, including the cross-disciplinary expertise in agriculture, climatology, hydrology, disease control, ecology, physical infrastructure, economics, and other areas.

We have dropped the ball by focusing too much on my profession, economics, and not enough on the ecological, the disease control, the agricultural, the other underpinnings of a health society and a healthy economy.

Sixth, reorganize the aid programs to put official development assistance under one programmatic roof, and that is the leadership of USAID. This, of course, is the purpose of the legislation. As strongly as you can do it, I would urge you to do it. This absolutely dispersed and nonstrategic orientation now produces far less than the sum of the parts in terms of U.S. leverage, leadership, consistency, coherence, and, of course, results.

Seven, in my very strong view not shared by everybody, place the USAID administrator at Cabinet rank and with a direct report to the President.

About half of the donor countries in the world have a Cabinet rank for this position. In my view, we would do well to have a Cabinet member leading the world effort. It would give confidence, leveraging of U.S. political substantive development, knowledge, influence, authority to have the USAID administrator be of Cabinet rank.

Eight, focus activities on a few strategic objectives, including sustainable agriculture, health, education, infrastructure, climate

change, and business development. The list is not long, but we leave out many items on that list, unfortunately.

Nine, certainly not a favorite in this country, adopt a target of 0.7 percent of gross national product in official development assistance by 2015, in line with the timetable adopted by the European Union. The current goal is to reach approximately 0.35 percent of GNP.

The official goal adopted now 39 years ago by the United Nations and agreed to, though not with much fanfare, by the United States in the Monterrey Consensus in March 2002 is that the international target is 0.7 percent of GNI, gross national income, or GNP, and that countries should “make concrete efforts to achieve the international target.”

We signed on to that. Of course, no one ever mentioned it again, but we did sign on to that in a thoroughly negotiated document in 2002.

Europe has set a timetable by 2015. This is a few parts of 1 percent of GNP. I believe that we should move part of our 5 percent of GNP of the military budget, a small fraction of 1 percent, to official development assistance to recognize the centrality of this category for national security, and that we would get huge benefits—political, geopolitical, developmental, and national security—by adopting this goal.

Finally, leverage U.S. leadership in finance through increased use of multilateral institutions that pool donor finances in support of country-led plans of action that are bolstered by independent technical review, monitoring, and evaluation. And I have two such programs in mind as models.

One is the Global Fund to Fight AIDS, TB, and Malaria, which, in my view, is a model of how development assistance can be delivered. And the second is the Global Alliance on Vaccines and Immunizations. Both of them pool donor resources. Both of them invite country plans. Both of them review country plans for their technical merit, and then both of them monitor and evaluate the actual delivery in quantitative terms so the money doesn’t go missing.

And I think it is a very good model that could, again, leverage U.S. finances 3 to 1 if we did more through the multilateral mechanisms.

Thank you very much, Senators.

[The prepared statement of Dr. Sachs follows:]

PREPARED STATEMENT OF PROFESSOR JEFFREY D. SACHS

Mr. Chairman and members of the Committee, thank you for the honor of allowing me to testify today, and for your leadership in addressing the reform and upgrading of U.S. official development assistance (ODA). ODA is an integral part of U.S. foreign policy. Yet it is currently too poorly directed, too small in scale, and too fragmented to play the role that it should. I make several specific recommendations to correct these problems.<sup>1</sup>

<sup>1</sup>Please note that I use the term ODA in the technical sense agreed on by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD). It overlaps closely with the Government 150 account and some other aggregate measures often referred to as “US foreign assistance,” but is limited to grants and low-interest loans with a development objective, as opposed, for example, to military support programs, aid to middle-income countries, and loans at market interest rates.



## DIRECTION OF OFFICIAL DEVELOPMENT ASSISTANCE

The core purpose of ODA should be to help low-income countries to overcome obstacles to Sustainable Economic Development. Sustainable economic development means the long-term process of economic advancement consistent with environmental and social sustainability. Obstacles to sustainable economic development may include: low levels of agricultural productivity, absence of infrastructure, vulnerability to natural conditions (climate, water, disease), excessive fertility rates and population growth, extreme deprivation of girls, women, or ethnic minorities, and poor public policies.

Development assistance is highly effective when it is focused on these specific objectives. It is much less effective when it is diffuse and lacking in clear and quantified goals. There are countless development aid successes in recent years, including disease control (malaria, measles, leprosy, guinea worm, and others), improved school enrolment and completion, increased agricultural output, and deployment of community health workers. The key to success is to combine good science, cutting-edge technology, and solid management of aid efforts at country level. The new \$20 billion G8 initiative to promote smallholder agriculture could become another great success story, producing an African Green Revolution with the same significance as Asia's Green Revolution of the 1960s and 1970s.

Part of the job of a good foreign assistance program is to diagnose the obstacles facing countries in achieving sustainable economic development. Diagnoses in the past have been simplistic, ideological, and narrowly focused on market reforms, rather than holistic, evidence based, and focused on environment, infrastructure, disease control, and science and technology, in addition to market reforms.

Priority regions in need of U.S. ODA include:

- Sub-Saharan Africa
- Central Asia
- Haiti
- The Andean Region

A special focus should be given to the Dry Land regions stretching across the Sahel of Africa (Senegal, Mali, Chad, Niger, Sudan, Ethiopia), the Horn of Africa, the Arabian Peninsula, Western Asia (Iran, Iraq), and Central Asia. The Dry Land region suffers multiple assaults of poverty, hunger, drought, and disease that lead to instability, conflict, human suffering, and vulnerability to terrorism. The conflicts in Darfur, the Ogaden desert, Somalia, Yemen, Iraq, Afghanistan, and the Northwest Frontier Provinces of Pakistan, are all examples of dry land crises. The overlap of global crisis and the dry lands is illustrated in Figure 1, taken from my recent book *Common Wealth: Economics for a Crowded Planet*.

In order to maximize effectiveness, global leadership, and leveraging of U.S. taxpayer dollars, the U.S. foreign assistance program should specifically embrace major global development objectives to which the U.S. is a signatory. Most importantly, these include:

- The Millennium Development Goals, adopted in 2000 to be achieved by 2015
- The UN Framework Convention on Climate Change,
- The UN Convention to Combat Desertification
- Various G8 and UN General Assembly commitments on hunger, disease, environmental sustainability, and poverty alleviation. By taking the lead on global goals, especially the Millennium Development Goals and climate change, the U.S. would achieve remarkable leverage in promoting rapid improvements in living standards and environmental sustainability. The world is hungering for that kind of U.S. renewed leadership and engagement.

## SCALE OF U.S. OFFICIAL DEVELOPMENT ASSISTANCE

The scale of official development assistance, currently at around 0.20 percent of GDP and around 0.7 percent of U.S. budget spending, is far too low. Doubling ODA by 2015 is a very worthy and politically challenging goal, but is unlikely to be sufficient to meet U.S. foreign policy objectives. A part of the current military outlays, at roughly 5 percent of GNP, should be redirected to ODA, since effectively deployed ODA will give the U.S. much more security than the marginal budget dollar spent on the military.

The U.S. is committed, as a signatory to the Monterrey Consensus (March 2002) to "make concrete efforts towards the international target of 0.7 percent of GNP as official development assistance." (Paragraph 42). This target is almost unknown in the Congress and the American public, but is deeply embedded in international com-

mitments, at the UN, G8, and other forums. 16 of the 22 donor countries in the OECD have set a timetable to reach 0.7 by 2015. America's failure to date to acknowledge this international target is a point of continuing weakness of American global leadership.

The 0.7 percent of GNP, which stretches back to 1970, and has been repeatedly confirmed in international gatherings, is not taken out of the air. Several comprehensive studies, including the UN Millennium Project report on Investing in Development: A Practical Plan to Achieve the Millennium Development Goals, have shown that 0.7 percent of GNP from all major donors is the magnitude of assistance needed to achieve the Millennium Development Goals and to address global emergencies requiring urgent foreign assistance.

The global need for official development assistance in future years will rise, not fall, as climate shocks, rising population pressures, environmental degradation, and needs to adopt sustainable energy and water systems gain urgency. The U.S. should be preparing now for this inevitable scaling up of needs.

I strongly urge that the U.S. adopt a strategy of meeting the 0.7 target by 2015, along side the European Union, which has set a specific timetable for accomplishing this target.

#### OVERCOMING FRAGMENTATION OF AID EFFORTS

The current ODA efforts are divided among a dozen or so departments and agencies. There is a lack of strategy in directing our funds to foreign governments, multilateral agencies, and non-governmental organizations. The result is that the U.S. development assistance programs achieve less than the sum of the parts in terms of U.S. leadership, leveraging of taxpayer dollars, and efficacy of development programs.

I recommend the following corrective steps:

First, official development assistance programs should be reconstituted within a single agency, presumably the U.S. Agency for International Development (USAID). The Administrator of USAID should be of cabinet rank, with a direct report to the President, as are at least half of the development ministers in the rest of the DAC donor countries. Of course, the Secretary of State would have final authority on foreign policy on behalf of the President, so that in practical terms the USAID Administrator would be subordinate to the Secretary of State in the implementation of ODA.

Second, the U.S. should recognize that it achieves maximum leverage, leadership, legitimacy, and efficacy when it operates its aid programs through multilateral institutions, as long as the U.S. voice in those institutions is adequate. Great ODA successes in recent years include the Global Fund to Fight AIDS, TB, and Malaria (GFATM) and the Global Alliance for Vaccines and Immunizations (GAVI). Both GFATM and GAVI are donor pools, in which the U.S. plays an important funding, steering, and leadership role. The new G20 initiative on smallholder farming is perfectly suited to such a multilateral approach.

Successful multilateral initiatives, like GFATM and GAVI, have the following characteristics:

- Donors pool their financial resources
- Low-income countries submit National Action Plans (NAPs) for funding
- An Independent Technical Review Panel vets the NAPs for scientific, financial, and managerial coherence
- Cutting-edge and appropriate technologies are deployed (for example, medicines, high-yield seeds, innovative irrigation systems, renewable energy sources)
- Private-sector companies and NGOs are invited as participants in the national action plans
- The NAPs are specific, detailed, quantitative, and subject to review and audit
- All programs are monitored and evaluated

Third, the U.S. should reorganize a considerable amount of its development efforts around a few strategic programs linked to sustainable economic development, including:

- Agricultural productivity in low-income, food-deficit countries
- Primary health care and disease control
- Education for all
- Sustainable energy

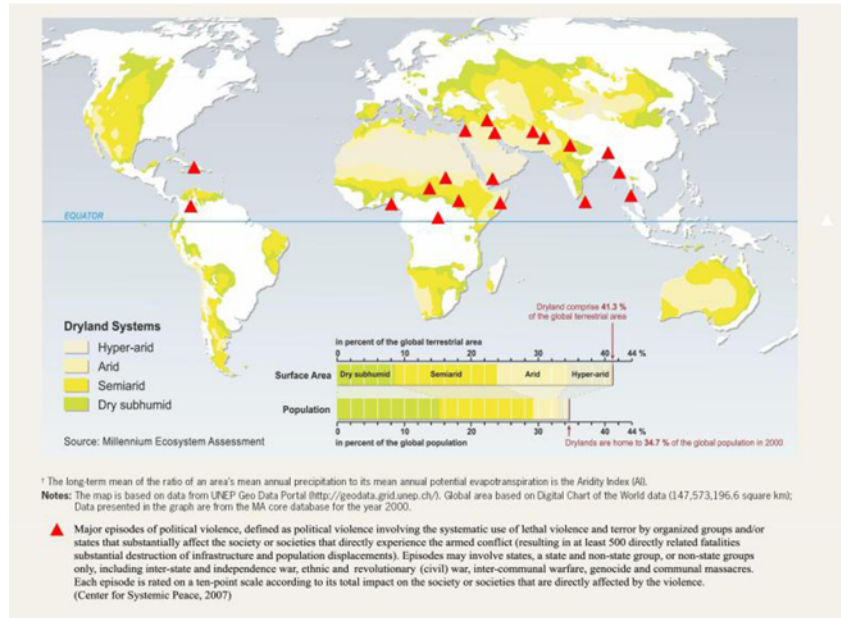
- Sustainable water
- Basic infrastructure (roads, power grid, ports, airports, rail, connectivity)
- Integrated rural development
- Promotion of sustainable businesses
- Climate change adaptation

In each of these areas, the U.S. should champion a rigorous, scaled, multilateral effort consistent with achieving the Millennium Development Goals, the Climate Change objectives, and the other globally agreed development objectives.

*Ten Specific Recommendations*

1. Focus U.S. official development assistance on sustainable economic development, and make this goal explicit in U.S. legislation
2. Embrace the globally agreed development goals, including the Millennium Development Goals, the UN Framework Convention on Climate Change, the UN Convention to Combat Desertification, and several UN and G8 commitments on global health
3. Focus development assistance on low-income regions in greatest need, including sub-Saharan Africa, Central Asia, Haiti, and the Andean region.
4. Launch a specific sustainable development initiative for the dry lands stretching across the Sahel, Horn of Africa, Arabian Peninsula, Western Asia, and Central Asia, addressing the intersecting challenges of hunger, disease, livelihoods, energy, and water scarcity.
5. Rebuild the analytical capacity of USAID to diagnose the obstacles to sustainable economic development, including cross-disciplinary expertise in agriculture, climate, hydrology, disease control, ecology, infrastructure, economics and other relevant areas.
6. Reorganize the aid programs to put ODA under one programmatic roof, under the leadership of USAID
7. Place the USAID Administrator at cabinet rank with a direct report to the President
8. Focus aid activities on a few strategic objectives, including sustainable agriculture, health, education, infrastructure, climate change, and business development.
9. Adopt the target of 0.7 percent of GNP in official development assistance by 2015, in line with the timetable adopted by the European Union. Reallocate part of the military budget (currently around 5 percent of GNP) for this purpose.
10. Leverage U.S. leadership and finance through the increased use of multilateral institutions to pool donor finances in support of country-led plans of action, bolstered by independent technical review committees, audits, and monitoring and evaluation of programs.

Figure 1. The Dry Lands (shaded regions) and Conflict Zones (triangles)



Senator LUGAR [presiding]. Mr. Beckmann.

**STATEMENT OF DAVID BECKMANN, PRESIDENT, BREAD FOR THE WORLD, COCHAIR, MODERNIZING FOREIGN ASSISTANCE NETWORK, WASHINGTON, DC**

Reverend BECKMANN. Ranking Member Lugar, members of the committee, I am David Beckmann. I am the president of Bread for the World. I am also cochair of the Modernizing Foreign Assistance Network.

Thank you for the work that you are doing on foreign assistance reform, for this hearing, and for the legislation that Senators Kerry, Lugar, Menendez, and Corker have developed.

I especially appreciate the fact that you are working on this in a bipartisan way. Whether people are liberal or conservative, we want to use our money well. And this committee, by working on this in a bipartisan way, is helping us get a good result and a result that will be long lasting.

I think now is the time. Under President Bush's leadership and now under Obama's leadership, we are expanding U.S. foreign assistance. It is the right thing to do. It is the smart thing to do. Even in this economy, voters favor—a large majority of voters favor increased funding for effective programs that reduce hunger, poverty, and disease.

But all of us know that U.S. foreign aid could be made more effective. And if this Congress and this administration can work together to make it more effective, we will use our dollars better for

decades to come, and voters for decades to come will be more supportive of further increases in assistance.

I really applaud the Obama administration and this Congress for the attention that you have shown to international development. We have got lots of problems, and you could have given it a pass—it would have been wrong—but this Congress and the Obama administration have done a lot on international development.

When I last testified before the committee, you were considering the surge in world hunger that we have suffered and the Global Food Security Act. And now, President Obama and Secretary Clinton have launched a global food security initiative. As the chairman mentioned, they have also put forward a budget that provides for increased funding for international affairs, foreign assistance, and notably increased funding for the capacity in the State Department and AID.

I think the administration and both houses of Congress have started work on foreign assistance. The Secretary has called for a Quadrennial Diplomacy and Development Review. In the House, the House has passed its State Department reauthorization bill and a Pakistan bill. Chairman Berman says that foreign assistance reform is his top priority for this Congress. The Initiating Foreign Assistance Reform Act that he and Mark Kirk introduced now has 83 House Members, members of both parties, as cosponsors.

On the Senate side, I wish Chairman Kerry were here to tell him how much I liked his speech at the Brookings Institution. I think it really laid out an exciting vision for what needs to happen in strengthening diplomacy and development for the United States. And the bill that he and Senator Lugar and Senator Menendez and Senator Corker have developed is really an important step forward and along the lines of the chairman's vision.

In the bill itself, I especially love the statement of purpose. It says that as we go into foreign assistance reform, we should really be driven by trying to make our foreign assistance more effective in support of global development and the reduction of hunger and poverty. That is right.

Most of the bill is about strengthening AID. And Senator Lugar, in his opening remarks, made it clear why that is so important. Secretary Clinton has said that one reason why we don't have an administrator so far is that several qualified candidates didn't want to take the job because the Agency is so weak. So that strengthening of AID, it makes sense.

I think the transparency section of the bill is also really good. We don't want to go back to the AID of the 1980s. President Obama has called for a 21st century development agency, and one of the hallmarks of a 21st century agency is transparency and responsiveness.

A much more transparent foreign assistance program will involve the American people. It is one way to facilitate public-private collaboration and to facilitate the involvement of people in the developing countries in the programs that we help to finance. And as Senator Kerry mentioned, that involvement by the local people is the best way to assure the effectiveness of what we are trying to do to help them.

My main request is that you introduce this bill just as soon as possible. There are a lot of organizations—Bread for the World, Oxfam, the ONE Campaign, InterAction, Women Thrive Worldwide—several of the major think tanks, lots of other organizations have been engaging their nationwide networks in understanding why foreign assistance reform is important.

And so, tens of thousands of concerned Americans are eager to have a chance to weigh in and have their say in this debate. And once this bill is introduced, they can speak to their Members of the Senate, whether they are on the committee or not, and say, “We want you to cosponsor this bill.” So that gives them a chance to help build broad support in the Senate for the important and very difficult work that this committee is doing.

I do think now is the time. And one reason that now is the time is because of you, actually. I think you and the other people in place in the key leadership roles on this issue are the right people to do the job. We have a President and a Secretary of State who are really committed to reducing global poverty. They are both committed to foreign assistance reform.

The House has shown that they can move this issue through the House. This committee is extraordinary in your ability to work across the aisle on complex issues that are important for our Nation and the world.

So I thank God for the leadership we have got, including you, and I pray that God will continue to guide and bless your steps as you work on this really important issue.

[The prepared statement of Mr. Beckmann follows:]

PREPARED STATEMENT OF REV. DAVID BECKMANN

Chairman Kerry, Ranking Member Lugar, and members of the Committee, thank you for inviting me to testify. I am David Beckmann, president of Bread for the World, a collective Christian voice urging our nation’s decision makers to end hunger at home and abroad. I also serve as co-chair of the Modernizing Foreign Assistance Network, a broad coalition of groups and individuals working to make U.S. foreign aid more effective in support of global development and the reduction of poverty.

I am grateful for this hearing and for the draft legislation that Senators Kerry, Lugar, Menendez, and Corker have developed. I especially appreciate the fact that you are working in a bipartisan way on this issue. The institutional changes you legislate will be better and more long-lasting if members of both parties, conservatives and liberals, contribute their points of view.

Now is the time for foreign aid reform. President Bush led a major expansion of foreign aid, and President Obama proposes to double foreign aid. A substantial majority of U.S. voters favor spending more on effective programs to reduce hunger, poverty, and disease in developing countries. It’s the right thing to do and the smart thing to do. But we all know that foreign aid could be spent more effectively. If this administration and Congress manage to improve the effectiveness of U.S. assistance, our dollars will do more good for decades to come, and voters will continue to support increases in funding.

In a recent survey, 85 percent of registered voters agreed that we “need to modernize how foreign assistance is currently organized and implemented.” In a poll last November—in the depths of the economic crisis—87 percent agreed that “in a time like this, we need to make foreign assistance more efficient and get more of our aid to people who really need it.”

I applaud the Obama administration and this Congress for the attention you have already devoted to international development, including foreign assistance reform. When I testified before this Committee in March, you were considering the terrible setback in progress against world hunger that has taken place over the last several years. You passed the Global Food Security Act. In his inaugural address, President Obama promised people in poor countries to “help make your farms flourish,” and

the administration—led by Secretary Clinton—has now launched a global food security initiative. The President was able to convince the other G8 nations to work with the United States to help farmers in poor countries increase their production.

The administration's 2010 budget request puts us on the path to doubling foreign assistance by 2015, including a major investment in global health and increased investment in agriculture. The administration's budget also proposes to bolster the capacity of USAID and the State Department to carry out their development and diplomatic missions.

Secretary Clinton recently announced that the State Department and USAID are undertaking a quadrennial diplomacy and development review (QDDR). It will provide a short-, medium-, and long-term blueprint for our country's diplomatic and development efforts. This process will articulate a clear statement of foreign policy and development objectives, recommend management and organizational reforms, and propose performance measures. The QDDR process will incorporate perspectives from across the government, from Congress, and from nongovernmental experts.

The House of Representatives has already passed a State Department Reauthorization Bill and a Pakistan bill. Chairman Howard Berman's stated priority for this Congress is foreign assistance reform, and, as of today, a bipartisan group of 83 members of the House have signed on as cosponsors of the Initiating Foreign Assistance Reform Act, H.R. 2139. Mr. Berman's staff are already working on a rewrite of the Foreign Assistance Act.

Chairman Kerry, in your foreign policy address at the Brookings Institution in May you articulated the case for strengthening U.S. diplomacy and development assistance. With regard to foreign assistance reform, you called for clear goals, improved coordination, stronger development expertise and capacity, streamlined laws to untie the hands of aid professionals, and the empowerment of country teams to shape programs based on local needs.

The draft legislation you have now developed with Senators Lugar, Menendez, and Corker is a major step forward. I love the statement of policy. It calls for a reform of USAID and related agencies in order to better serve the U.S. commitment to global development and the reduction of poverty and hunger.

Much of your bill is focused on building the capacity of USAID, which is urgently required. USAID's operational capacity has decayed. It no longer has budgeting or planning authority. It is not currently represented on the National Security Council. The Administrator position is still vacant, partly because several candidates have declined to take charge of such a weak agency.

Under this administration, the State Department has demonstrated a deep commitment to global development and poverty reduction. But it is crucial that some funding be dedicated single-mindedly to development. When we try to achieve defense and diplomatic goals with the same dollars, aid is usually much less effective in reducing poverty. In my mind, that's the basic reason we need a strong development agency, with its own capacity to plan and carry out programs. These programs should be coordinated with other foreign policy purposes, but distinct from them.

Your bill's section on transparency is especially important. President Obama has called for an "elevated, streamlined, and empowered 21st century U.S. development agency" that will be "accountable, flexible, and transparent." The reform of U.S. foreign assistance gives us a chance to create a development agency that will be transparent to all Americans—to encourage public support and involvement in global poverty reduction and to facilitate public-private partnerships. Even more importantly, the transparency section of the bill will help people in developing countries know about U.S. assistance programs. If local people are more aware and involved, our aid programs will be more effective.

My main request is that you introduce this bill as soon as possible. Quite a few organizations have helped their networks across the country understand that foreign assistance reform is important to future gains against hunger, poverty, and disease. These organizations include Bread for the World and many religious groups, InterAction, Oxfam, the ONE Campaign, Save the Children, Women Thrive Worldwide, Mercy Corps, CARE, the U.S. Global Leadership Coalition, World Wildlife Fund, the Centre for Development and Population Activities (CEDPA), the Center for Health and Gender Equity (CHANGE), the International Center for Research on Women, the International Women's Health Coalition, the Global AIDS Alliance, and RESULTS. Our coalition also includes opinion leaders at the Center for Global Development, the Center for American Progress, and Brookings. Thus, tens of thousands of people around the country are now informed and eager for a chance to have their say. Once your bill is introduced, they can ask their senators to cosponsor, thus building broad support for this Committee's work on foreign assistance reform.

As I said at the outset, now is the time for foreign assistance reform, and the main reason is leadership. We have a President and Secretary of State who are com-

mitted to reducing hunger and poverty in the world and to making our programs of assistance more effective. Your counterparts in the House have demonstrated their leadership on this issue. And this Committee has demonstrated exceptional ability to work together across the aisle on complex issues that are important to our nation and the world.

May God continue to bless your leadership.

Senator LUGAR. Well, thank you very much.

We will proceed now with questions. The chairman suggested a 7-minute time limit, if that is preferable for all. And I will commence the questions.

Secretary Clinton recently announced the start of a Quadrennial Diplomacy and Development Review, which we have talked about today, a process similar to the QDR at the Pentagon. I believe that most members of our committee are supportive of this initiative. But as this is a new process for the State Department, I would ask any of you what elements do you believe are important for its success? What should we be looking for, as members of this committee?

Yes, Mr. Beckmann.

Reverend BECKMANN. I think it is an important process, a positive step, and the memo in which the Secretary laid out what they are going to do lays out a number of steps that can make it effective. So it is particularly important that AID and MCC have an important role in the process, that they plan to reach out to other Cabinet departments, that they plan to reach out to Congress, nongovernmental actors, and that this review is supposed to be followed by a whole of Government review because, clearly, trade policy, agriculture policy, all of these things interact.

It seems to me, as you, Senator Lugar, and Mr. McPherson both said, what is going to be important is that they figure out a way to get a strong voice for development in the review because AID is so crippled. If they just invite a few AID staff to the meetings—in the recent meetings where I have been together with State Department and AID, the AID staff are clearly there to speak when spoken to. They are not strong actors in the discussion. And so, Deputy Secretary Lew will have to figure out some way to get a strong voice for development in the process.

One way to do that—I mean, one way to do it is to get the administrator in place. But even then, the administrator will just be getting oriented as this thing gets underway. So one possibility would be to bring in some strong nongovernmental voices into the process, people who are trusted, people who will be team players but can speak from the perspective of people who are primarily concerned about development.

Because it is clear that in some situations, our other foreign policy objectives are intermingled with what is good for development. And so, we need some people in this process who speak up and talk about how do we set up structures so that we do a good job on development as well as on our other foreign policy objectives.

Senator LUGAR. Having heard your statements today and the chairman's statement, it appears to me that we should lend these statements to the review process, with the hope that this kind of core function might be restored.

Let me just ask a second question along these lines. USAID used to have robust evaluation programs, according to many observers.



And they conducted evaluation and widely disseminated the findings. And now the development community seems to be missing these findings presently.

You have all touched upon this in a way, but how can a restored USAID be influential throughout the development community, which goes well beyond the State Department, the Government, even private groups such as some you have been with? Can you give us some thoughts about that?

Yes, Mr. McPherson.

Mr. MCPHERSON. It is necessary to reestablish with an adequate budget the structure, but you also need to have very senior field operational staff run it, really. A mission director in a couple of countries who had been at this business for 20 years can see things that an academic interest would not be able to see. So, the proper leadership is important.

And when the evaluation has worked well over the years, and it hasn't always—the administrator has to pay attention to this, has to ask, has to direct it to do some areas. It is almost like when I have been chair of a major board with the internal audit. That audit had to report regularly.

Senator LUGAR. As you could testify from your own experience.

Mr. MCPHERSON. Absolutely. Absolutely. I mean, this has to be seen by the leadership of the Agency as an important tool. You have to be willing to admit mistakes, learn some lessons, and that is a mindset of a whole place. And it isn't a cookie cutter way to do it, but to start with, somebody that is respected by the field to run it.

Now I think today, as opposed to not many years ago at all, there is a method to communicate lessons. I mean, the Web site that pulls up the work you have done, that pulls back into projects so you can really work it through. The World Bank has some of this. There needs to be some linkages between—this is an area where these agencies can work together, the MCC, AID, other agencies.

I think with technology, it will take a little resources. But frankly, this cross-agency board think tank could kind of force that issue, I think.

Senator LUGAR. Dr. Sachs, let me just ask, as my time is coming to an end, in your testimony, you suggested that assistance should be reorganized around a few strategic objectives. One of these might be the food security objective of our bill, the Global Food Security Act of 2009, that has been reported out of committee. But touch upon again those objectives that you would start with as we reorganize this process.

Dr. SACHS. Thank you, Senator.

I think both on evaluation and on the substance, we lack clear goals right now of almost all of the foreign assistance. We have a couple of programs like PEPFAR and the President's Malaria Initiative, which have clear goals. Most of the rest is very scattered, very difficult to evaluate because we don't even have a clear idea of what we are doing.

And I would like to emphasize that we are so marginal in so many areas right now because of lack of scale, lack of clarity, that ambassadors all over the world routinely pull me aside and say,

“Can you help us get any kind of program going in this country because we don’t have anything really happening.”

So I have identified in my own testimony five areas that I think—or six areas that I think are central—agriculture, health, education, infrastructure, business development, and climate change. These are the core of the Millennium Development Goals. They are the core of our climate and energy challenge worldwide.

They go to the crux of the extreme deprivation, poverty that leads to the instability and violence that the *New York Times* refers to today. And I think that they constitute a kind of framing.

Now they also come with clear international goals that have been put forward that the United States could be party to and then evaluate our programs against.

Senator LUGAR. Thank you.

Senator MENENDEZ.

Senator MENENDEZ. Thank you, Senator Lugar.

Let me say I am really pleased that we are having this hearing today. This is a topic that I have worked on for several years, and I am encouraged by the progress that we are making in the legislation.

As the chair of the subcommittee on all of our foreign assistance, it has been great to work with Senator Corker and with you, Senator Lugar, and with the chairman on this. And I really think we are moving in the right direction here.

I also appreciate the broader community that is out there that has been engaged on this issue, from organizations that have for their existence been out there promoting the importance of our development and foreign assistance, as well as citizens who have really engaged in this. It is critical because this is not—for many people in our country, the nexus between what we do and our foreign assistance and development assistance to their lives is not clear to them. Therefore, the advocacy for this is incredibly important, and this is where citizens make a difference.

To me, this isn’t just an issue of morality or an issue that is driven by a sense of doing what is right for the most disenfranchised around the world, although those, in and of itself, they are both moral and correct and desirable. But they are also issues that are directly in the national interests and the national security of the United States. I think we have every reason in the world to understand that every time we provide credit to a farmer who is displaced or training to a woman who wants to run a business out of her home that we are creating stability and security throughout the world, and that is in the national interest of the United States.

When we provide an effective alternative to illicit economic activity, we are making a blow against drugs coming into this country from others who have no alternatives in terms of poor coca farmers to decide whether I will do that to sustain my family or I will have a sustainable development alternative.

So I think all of these issues are incredibly important, and I think they come right back to many of the issues we are debating here in the United States Senate and the Congress, whether it is about undocumented immigration. People leave their countries for only two reasons—civil unrest or dire economic necessity. Change those dynamics, you won’t have that pressure.

If you, in fact, want to ensure that we do not face the challenges of terrorism in the hemisphere, create stability because terrorism works best under the cover of chaos. If you want to ensure that there are more American goods and services to be sold throughout the world, create an economic class that, in fact, has the goods—has the wherewithal to purchase those goods and services, and therefore, it is in our economic interests. If we want to meet the challenges of global health, where diseases know no boundaries or borders, then, in fact, this is a critical issue.

So I really think that this is one of the most important things we can do, and reforming it so that, in fact, the American people can see the results is incredibly important. That is why I have suggested the idea of some of our independent monitoring mechanisms for evaluating the impact of our foreign assistance program.

I think there is a great difference between saying that we handed out 500 textbooks or trained 200 teachers. But it is far different to say that we have improved the aptitude of schoolchildren and that these improvements helped connect them to meaningful employment, which raise their household incomes, allow them to eat better, access medical services, and on and on.

Finally, I really do think that AID, we need the institutional ability to deliver these services. In my personal view, AID has been decimated over the last several years in a way that that is very difficult. I have focused on building USAID from the inside out, and I think this bill does that in a coherent and strategic manner as well.

So for all those reasons and many more, I think we are headed on the right course. And I really appreciate the bipartisan spirit here because that is going to be necessary to make this happen.

With that, I do have one or two questions. I mentioned this independent evaluation and research innovation group for foreign assistance appears to be a step toward establishing a consistent evaluation scheme across the Government foreign assistance programs. What are your views in terms of having such an independent group that can look across the spectrum of U.S. Government programs?

Is that a good thing? Are there problems with it? How would you structure it? I would be interested in hearing your views.

Mr. MCPHERSON. I think that there needs to be a strong evaluation office led by a strong field-oriented person at AID. This bill was overwhelmingly, in my view, correct, and I congratulate you for its work.

I would tinker a little bit with the wording, at least as I understand it, for this cross-agency evaluation or at least think carefully about how to make sure it doesn't become another IG or GAO. Those organizations play important functions, but I suspect the Agency heads—MCC, AID, and so forth—will feel like it is another outside group to issue its reports and so forth.

I think, as mentioned a moment ago, the internal auditor ultimately needs to be somebody management uses to drive improvements. Evaluation is something that needs to be a tool to drive improvement.

I think the cross-agency—I called it a think tank a moment ago. I think you need some cross-thinking. You need some independence. There are some great issues here that people haven't really

dug into, and I don't know that they should be associated with evaluation, but they don't need to be primarily.

So I would make the cross-agency function or organization have a somewhat different focus and a very strong, probably reporting to the administrator, evaluation function within the agency. We are getting into the weeds in all these things, and I probably have almost too many views, having worked and worried about these issues for decades. But I want to be clear that the focus on a much—on a very strong evaluation.

I like to say an organization that can't learn from itself is inevitably a sterile and, in due course, dysfunctional structure.

Senator MENENDEZ. Dr. Sachs.

Dr. SACHS. Yes, I would like to start by stressing that the biggest problem in our development assistance has been the lack of scale and the lack of clear goals and the lack of ambition. So unless we solve those problems by adopting a view that we are going to scale up significantly, take on bold objectives, pursue them assiduously, evaluation won't solve the problem.

It is not that we have been doing a huge amount, but doing it poorly. We have doing relatively little and scattershot without clear objectives, except in a couple of programs, and not knowing what we are doing.

I think the idea of an independent evaluation office is a good one. I think the experience of the World Bank with such an office has been a very good one because it has helped to correct directions that that institution has taken over the years and help get them back on course. So you might look at the World Bank experience as a kind of a model of how that can function.

But I do want to emphasize that our biggest need is a scaled-up program that adopts bold objectives, and I would urge, once again, that we start with the Millennium Development Goals because those are the globally agreed objectives. The United States has signed on. If USAID would champion those, we would find that there are 191 other U.N. member governments and 21 other donor governments that would be natural—at least the 21 other donors, let me put it that way, that would be natural partners because we are all signed on to the same objectives.

And USAID needs to be a more goal-based, goal-focused institution. From there, we can evaluate how we are doing toward explicitly set objectives.

Senator MENENDEZ. Mr. Chairman, my time is up. I just appreciate your answer, and I understand your advocacy for greater financial engagement, and I am an advocate of that myself.

I would just say that we based our independent evaluation model on the World Bank's view. So I am glad to hear that that is something that you think is important.

I will wait to see if we have a second round, Mr. Chairman.

Senator LUGAR. Thank you, Senator Menendez.

Senator Corker.

Senator CORKER. I, too, want to thank you for your testimony and certainly what you do on a daily basis and all the many experiences we have to draw on here.

I am very excited about this legislation and certainly appreciate the opportunity to work with the other three Senators and many

others and want to say that I know much has been said about the bipartisanship. It truly has been that. I mean, it has been a great piece of work so far.

I am sure there will be amendments when it actually goes to the floor. Well, actually, someone mentioned about moving it along. We actually haven't introduced the bill yet, and yet we are having a hearing. So I can tell you we certainly are anxious to get it to the floor and get it done in a proper way.

Because each of you are supportive and have very positive comments about the bill, I am going to wander off the script just a little bit and ask some other questions. I was just in Darfur and Kenya, Mr. Sachs, and saw some of the destabilization that is occurring there with many people coming in across the border and the concerns that exist. And obviously, I am very supportive of foreign aid efforts being focused and efficient and being goal driven. So me asking this question is not an indication of my own attitude.

But while I was visiting, and we went to several other countries, there was a Wall Street story Dambisa Moyo wrote about our aid efforts. And she—I will just use a quote from her. "It enables corrupt governments, grow debt, discourage foreign direct investment, and ultimately makes the countries poorer."

While I was there, it was interesting. One of the leaders of one of the countries acted like they embraced this view. I will say simultaneously was asking us for more aid, just for what it is worth. [Laughter.]

But I wonder if you all might just weigh in? I know you have to, because of what you have done, read some of the things that she has said and done. And she focuses on tax incentives and other kinds of things that should be done internally, and I think all of us know that economic growth has to occur in these countries. But just wondering if you might say a few words about some of her views and some of the response in Africa itself?

Dr. SACHS. I think that the key to success is that the aid is well targeted, well monitored, specific, and quantitative. There are many kinds of aid programs that have failed, and there are many kinds of aid programs that have succeeded splendidly. And so, any broad brush is asking the wrong question.

The right question is how can aid succeed to achieve the outcomes that we are looking for? It is never to hand over money. That is the worst. It is never just general trust. It is targeted efforts in the core areas of agriculture support; the health system; education; infrastructure, meaning roads, power, safe drinking water, sanitation; business development in ways that you can follow the money.

And when that is done, the results are extraordinarily powerful for very little money. Measles deaths have come down by more than 90 percent in this decade because of a targeted immunization effort. Leprosy is nearly eliminated. Schistosomiasis is under dramatic control in many places. Malaria, because of the President's Malaria Initiative, being well targeted—bed nets, erythromycin and combination drugs, community health workers, rapid diagnostic tests—is plummeting in places like Ethiopia.

If you were in Rwanda, I don't know if—that was a country that where we have had this interesting colloquy—

Senator CORKER. I just happened to be in that country.

Dr. SACHS. I know President Kagame very well. And while he might say one thing or another, half his budget is aid-dependent right now. And I have followed the aid there. I have worked to help him get support for the successes he is achieving.

Senator CORKER. Which are amazing. He has done an incredible job there.

Dr. SACHS. Yes. That is an aid success story. The idea that it has been turned around in the public mind as something else shows how peculiar the atmospherics around this issue are. President Kagame should be explaining to the world aid works. "Look at my country. I got help. It supports half my budget. It helped me build roads. It helped me build water."

But instead, he went off on attack, which confuses the public in a very unhelpful way, and I have said it to him, and I will say it again to him. Tell the truth of what happened, and then we can all understand why this is a good thing. Nobody is after creating dependency. We are trying to break dependency by solving the poverty problem so countries can graduate.

Nobody wants long-term aid. We want graduation from aid, as has been done with Korea, with Taiwan, with many, many other countries. And the whole episode of this Moyo and President Kagame and so forth is a confusion.

There is no simple generalization. You have to do the aid right. And to say I am against aid when half your budget depends on it and it has allowed your country to reestablish growth after a genocide is only to confuse our public with what is going on. I don't get it.

The fact of the matter is when you press President Kagame, whom I know very well for many, many years, he says, "No, no, no. Don't cut it off. Don't cut it off. Just let us do it right." And that, I think, is the true answer of this issue.

Senator CORKER. That was such a comprehensive answer that maybe we will be brief. But thank you, go ahead.

Mr. MCPHERSON. Yes, I think Rwanda clearly has made great success.

Senator CORKER. Absolutely.

Mr. MCPHERSON. And it needs to be recognized here and there. I think, however, that those who—some of those who are concerned about AID at least have some argument. I am not talking about this particular writer. But frankly, when you look at long-term success in countries, it is because human resources were built. It is because institutions within those countries in which those human resources could work. It is the creation and distribution of technology. It is reasonably stable, engaged governments, and it is reasonably sound economic policies.

I am not talking about a cookie-cutter set of policies. Human resources, technology, and infrastructure, as we have found from our own country. And frankly, over the last near generation, we have forgotten about the human resource component.

In the mid 1980s, when I used to testify in front of Senator Lugar, we were educating—we had long-term education in this country of 15,000 to 18,000 a year. The last figures I saw, and they were about a year old, we had about 1,000.

In the end, you look at your own communities. It is people with education and skills that drive what happens in your state, and it is technology. It is institutions. And I think that too often we have been worried about the transfer goods and services, and that helps immediately, but it doesn't help long term.

Now I do believe that sometimes quite targeted campaigns can have a huge impact. I concur with what has been just said. And Senator Lugar, you remember my being up here, working on oral rehydration therapy, which had a huge impact of saving lives. And we were able to somewhat more or less quantify that.

But I think we can never forget that ultimately development, as my old president John Hanna, president of Michigan State who was administrator before I was, came to see me that early day and sort of tapped me on the knee and said, "Peter, just don't forget it is about people."

So I think that the criticism we sometimes get is that we don't do enough on these long-term economic growth components. We need growth, and we need economic growth.

Senator CORKER. Mr. Chairman, I know I asked one question, and I am already 2 minutes over my time. I had several others, but I do want to say I thank you very much for your testimony.

And I know that there are people listening in places we don't know right now. I think both of us would hold President Kagame up as a role model as far as what he has done, and we are only referring to a comment made that was confusing. What they have done in Rwanda is remarkable, and I think we all respect and admire that. And I know you do, too.

Dr. SACHS. Absolutely, Senator.

Senator LUGAR. Thank you very much, Senator Corker.

Senator Shaheen.

Senator SHAHEEN. Thank you very much, Mr. Chairman. And thank you to you and Chairman Kerry for holding this hearing today and to all of our panelists for appearing.

As everyone has pointed out, foreign assistance is critical in promoting U.S. interests across the globe. It is one of our best and most important nonmilitary instruments of power, and it is an investment in our country's national security and economic prosperity.

But as everyone has pointed out, like every investment, we need to make sure that we are getting the most for our money. We need to do it in a way that makes sense.

I want to commend Senators Lugar, Corker, Menendez, and Kerry for your efforts to deal with USAID reform and certainly applaud Secretary Clinton's initiative to establish the Quadrennial Diplomacy and Development Review initiative. And I think that her efforts and the leadership that Secretary Gates have shown to talk about the importance of revitalizing our foreign assistance efforts gives us an opportunity that we have not had in a very long time to really address how we look at foreign assistance. So thank you for all of your efforts in this regard.

But let me ask because there have been countless reports and commissions and attempts to overhaul U.S. foreign assistance policies over the years. So what have been and what do you see as the major impediments to reform this time? And what are the most ur-

gent priorities that this committee and Congress should look at as we are trying to be supportive in the effort to reform our foreign assistance efforts?

Reverend BECKMANN. I think partly what has happened is that President Bush wanted to put more money into development, but was deeply—he and the administration were deeply suspicious about whether AID could do it. And so, he proposed a bold AIDS initiative, an excellent Millennium Challenge Account initiative: Bread for the World campaigned to help get that established because he wanted to do more to reduce disease and poverty around the world but didn't think AID could do the job.

So, in effect, we set up two major new agencies to do those two purposes. And I think, on balance, they have done a great job. It was a good step.

But now, moving forward, AID was sort of left to decay. And then we have this transition between the administrations. We have no administrator. They are in some kind of limbo at the moment. So the decay has accelerated.

So it is just clear now that the next step forward needs to be to get some consolidation, some coordination, and I think a strong development agency. It can't just be mushed into the State Department. It needs to be coordinated with the other things that our Government is doing. But we need a separate and strong development function for the reasons that many people have mentioned.

So I think the impediments, it is just history. It is the way it worked out. But now maybe the main impediment to reform is just it is a little bit complicated. There are maybe some bureaucratic toes that need to be stepped on in order to pull things together.

I think it is remarkable to me how much consensus there is among the members of the committee who have spoken also. It is to be noted that Jeff Sachs and Peter McPherson are pretty much on the same page on this issue. [Laughter.]

Reverend BECKMANN. So there is a lot of agreement about what needs to be done. There is a lot of agreement about what needs—

Senator SHAHEEN. I agree with that.

Reverend BECKMANN. There is a lot of agreement about what needs to be done, and I think it is mainly just what we need is what you are doing right now, the political will to tackle very complicated issues and change institutions in ways that will pay off for the next 10, 20 years.

Senator SHAHEEN. Go ahead, Dr. Sachs.

Dr. SACHS. Thank you.

Just in a little bit of perspective that I think is helpful. By the end of the 1990s, our aid program had shrunk to almost nothing. As it started to recover in this decade, it was one main program that started it off, which was PEPFAR. The President's Malaria Initiative, which is much smaller scale, was also targeted and very important and leveraged a lot of international resources.

My own view is that the Millennium Challenge Corporation never got off the ground, and I would fold it back into USAID. Frankly, I don't believe that it serves a purpose as an independent organization anymore, just to be on the record.

I believe we have lacked adequate financing, first of all. And this is my experience, which I mentioned a moment ago, in 80 or 100



countries around the world is an incredibly frustrated U.S. diplomatic service, Ambassadors constantly pulling me aside, every mission, every trip that I take. “We don’t have any resources here. Can you help us in Washington?”

That is the actual truth today, still today. We do not have an effective aid program other than in a couple of war zones or AIDS as a disease. Other than that, the budgets are tiny.

Second, we have lacked a strategy. The Bush administration was not too keen on harnessing the global effort around the Millennium Development Goals. This was a loss of opportunity to leverage our authority, power, and money. We lost the leveraging because they didn’t want to be associated with U.N. goals, as it were.

We lost the ability to lead on climate and infrastructure because the administration, the past one, didn’t want to touch that. So we have lacked a strategy. Any clear goals other than in AIDS and malaria, I would say, two important contributions of the last 8 years, but other than that, pretty much aimless.

And the third thing is implicit in that. We have lacked the leveraging. There is a desperate hunger for the United States to lead conceptually. We are inherently the largest donor because we are the largest economy in the world. And others will join in. When we said agriculture a month ago, everyone jumped in and said, okay, we are in agriculture also. That is the authority of the United States to lead.

So if we finance, strategize, and leverage, we are going to have a completely new capacity in this country.

Senator SHAHEEN. Thank you.

Mr. MCPHERSON. I would say, Senator, that we have got to be very careful AID doesn’t go the way of USIA. And I think that just didn’t work, and we are sliding that way.

I don’t think that Secretary Clinton would want that, but we have a very—we have a situation that began actually when Russia and the new republics were taken out of AID. You remember that, Senator, and that was the first major weakening. It went downhill over the years.

I mean, this is—you ask a wonderful question, and I agree there clearly needs to be vision and a number of things. But I would keep my eye on are we going to get new senior technical and leadership people into the Agency? I am not talking about the political appointments, and that is important. But look at that AD authority. You remember? That was an authority that was really very important, and it is still there.

So I say, first, people. Second, if AID doesn’t have its own policy and budget office that is well staffed and strong, it will be USIA as it now is. It is just that you cannot have an operation with muscle without budget and policy.

So I have got a lot of ideas, but I would look at senior people. I am not talking 10 of them. I am talking a few of hundred. And the budget and policy.

There are a lot of other things I would like to do. Atwood and Natsios, two former administrators, and I had an article in *Foreign Affairs* in November, where we laid out our views, which absolutely I think would be consistent with this committee’s expectations.

That is what I think.

Senator SHAHEEN. Thank you.

Mr. Beckmann.

Reverend BECKMANN. If I can just—I should have said also as an obstacle, I think there is this historical, just the bureaucratic process. But the other thing is that there is a real issue about a temptation to sort of suck up development money and also use it for other purposes.

So many of the dollars in USAID are supposed to serve some other foreign policy interest and also help poor people. So if you look at what countries the money goes to, if you are just trying to reduce poverty and hunger or promote development, you would invest primarily in low-income countries, especially those with good governments. But AID money is going mainly to other countries that really are serving our interests.

Now some of the money, some foreign aid money can go to those countries to serve our interests, but if it is, in fact, the policy of the United States to promote global development, reduce hunger and poverty, which I think it is, we need some money that is single-mindedly focused on development and reducing hunger and poverty. Because if you try to hit two birds with one stone, poor people will get the short end of the stick, to mix my metaphors.

Senator SHAHEEN. Thank you. [Laughter.]

Senator LUGAR. Thank you very much, Senator.

I gather that at least two of our Senators perhaps have additional questions, Senator Menendez and Senator Corker.

I wanted to recognize Senator Corker and, at the same time, pass the gavel on to Senator Menendez because I need to go to another destination at this point.

Senator Corker, would you proceed?

Senator CORKER. In a show of our great bipartisanship, I am going to let Senator Menendez go first.

Senator LUGAR. Very well.

Senator CORKER. I have to stay anyway. [Laughter.]

You know, one of the things that one can't help but notice real quickly out in the field is people are entrepreneurial within USAID, as they need to be. And you look at the PEPFAR program, which is where the money is. All of a sudden, almost every issue that exists has to do with HIV, right?

I mean, so all of a sudden, PEPFAR moneys are used in micro-finance. They are used in all kinds of other things because if there is not poverty, then there is not this. I mean, just wondering with you all's experiences, what is the best way to keep us from having mission creep?

Again, all the things that are being attempted are good things, OK? But they do take away from I think what each of you have talked about, and that is having a very focused goal for each of these efforts. But you have worked inside or served today caring for people. What is the best way to make sure that these dollars actually continue to go for their intended purpose and are not subsumed into other things where there is not enough money?

Mr. MCPHERSON. Well, you probably need—you need to be rigorous in looking at that. On the other hand, it is also true that some things are critical to feed into it.

For example, if you are going to deliver health care, the HIV/AIDS care, you probably have to train some people to do it. Hence, the work with some universities for doctors, for nurses, for health care providers. If people don't—they may have the AIDS in abeyance, but if they are near starvation, it is a real problem.

I do believe, as Jeff has so often said and said here again today, that there is great merit to a driving set of goals—tuberculosis, polio—that you can measure success. On the other hand, such driving goals tend to suck up everything else, too.

I mean, we find the HIV/AIDS program hires all the doctors or other care deliverers so there isn't somebody to take care of the delivery of children. I am overstating perhaps, but you ask a question for which I don't think there is a clear answer, but which is important to be diligent about.

I hope that is not so fuzzy it is unresponsive, but—

Senator CORKER. No, I don't think there is a concrete answer. I just want to raise it as an issue because out in the field, you see it constantly. And actually, you kind of admire the folks who are figuring out ways of that is what happens inside government or inside budgets.

But on the other hand, it does take away from the targeted goal that the moneys are allocated for. And by the way, does away with some degree of discipline, let us face it. Yes?

Mr. MCPHERSON. And measurable results.

Dr. SACHS. I think one of the great strengths of PEPFAR has been that we can count the number of people on treatment, and we can assign targets. And that is a tremendous plus.

Most things that are needed in development are actually of that kind, in my view—accountable, measurable. And establishing clear targets can really work and make a big difference.

Now within those targets, it may be, as Peter just said, you can't take the medicines if people can't eat, if they don't have enough to eat. That is actually just biological. So there may be an added component that is intrinsic to the program.

You are talking about something even beyond that, though. There is money. Let us do something good. I think the real answer to that, frankly, Senator, is that we funded well one initiative in the last 8 years. We did not fund well microfinance or children's education or safe drinking water or agriculture. Now agriculture is being added. That is extremely important.

A true success in development by nature will involve a holistic approach. It doesn't mean that everything is in it, but it does mean a focus on infrastructure, health, education, and a few components. We have not gotten that balanced program yet in USAID mainly because of budget and assignment of targets so far.

So your problem that you observed will be reduced certainly if we have a stepped up and better designed overall aid strategy. Then PEPFAR can get on with doing what PEPFAR is supposed to do. And I would say that the subcomponents of our program should have clear targets, measurable, monitorable, verifiable, subject to audit.

The taxpayers deserve it. The programs work better that way.

Mr. MCPHERSON. I want to take this on just a little bit. We have the Millennium Challenge Goals, which I endorse, have this meas-

urable goal—count the outcomes. But it has been part of why—and I support them. But it has been part of why we have moved away from long-term development.

If you can't—when you educate somebody to be a scientist, if you work on agriculture policy, if you do a number of these critical kind of structural things, mostly human resources, technology, when you put money into new technology, which only part of the time pays off, all those things are harder to measure than how many people didn't get polio.

And the counting approach, which I believe in, I mean, I mentioned this oral rehydration a moment ago, which we—it was to deal with diarrhea in kids, and it was tremendous. But I think that we too often are so focused on outcome numbers we miss the long-term investments, and those long-term investments tend to be what make—create the long-term growth, as it does in our own country. And I think we have gotten too much into short-term counting without the balance.

Reverend BECKMANN. Just going back to your question, I think partly that when I observe that, I do give credit to the local people for figuring out what really needs to be done. And part of the way to—part of the problem is here, that Congress and the President and Washington generally, including a lot of NGOs, are giving mandates to people in the field that we want you to do \$30 million of biodiversity. And whatever is necessary in the country, the guy has got a mandate to do \$30 million of biodiversity.

Or, we want you to do AIDS. Now maybe when you get to the community—I know a program in Kenya. It is an AIDS program, but it was clear that people didn't have enough food to eat. The AIDS patients didn't. So they got into community gardening and agriculture because they were responding to the real needs of the community.

So part of the problem is that our aid programs are excessively stovepiped, restricted with mandates from Washington so that by the time our people get to Mozambique, they have got to do AIDS. They have got to do all these other sectoral mandates.

So part of the reform needs to be to focus on broader goals, fewer goals, and make the aid programs responsive to local needs. If it is a decent government, what does that government want at the community level? What does the community really need?

So part of the answer to your question, part of the conundrum is—part of the answer to your question is for Congress and the President and NGOs to quit being so specific and trust local people to do what is really needed locally.

Senator CORKER. Thank you for your testimony.

Mr. Chairman, I am going to turn it over to you. I have not done well. I have asked two questions, but I have had some great responses, and I thank you for your testimony.

Senator MENENDEZ [presiding]. You have had very full responses.

Senator CORKER. Thank you all.

Senator MENENDEZ. We are going to keep this record open, I am sure, for some other questions to be submitted.

Let me just ask you, Mr. McPherson, you said something that I think is very important here. We need a strong AID, and one of the

things we need is an AID administrator sooner rather than later. It is already late.

And I really hope the administration—I know they are in the midst of their vetting process. We need an AID administrator because here is my concern. I applaud Secretary Clinton on her quadrennial review, but isn't it true in this quadrennial review, we want development sitting alongside of diplomacy, but not subservient to diplomacy. They go hand in hand. Is that a fair statement?

Mr. MCPHERSON. Absolutely.

Senator MENENDEZ. Is that a fair statement? Anybody disagree with that?

So, in order for that to happen, then we have the diplomacy part of this pretty well down in terms of its leadership. We need the development leadership to be sitting alongside so that we can have the type of advocacy we need. So that is incredibly important.

The other thing is, Dr. Sachs, did you have this session listed as one of your classroom opportunities at Columbia? Because I see a lot of young people in the audience, so I was just wondering whether this was a must—

Dr. SACHS. They are all welcome to class. [Laughter.]

Senator MENENDEZ. You mentioned the Millennium Challenge Account several times, and I think I understood you—I just want to make sure for the record. If I heard you correctly, you say the goals of the Millennium Challenge Account are desirable. But my concern is obviously not every country, at least as the Millennium Challenge Account procedure is presently written, is eligible for the MCC.

And my concern is, is that there will be plenty of countries for which we will have legitimate development assistance desires to be helpful that would not otherwise qualify for the MCC. We would like to all see them graduate to an MCC level.

But you are not promoting that the eligibility for MCC be the standard that we should achieve? I am trying to nail down exactly what you mean.

Dr. SACHS. Actually, this is a very important question and a good opportunity for me to clarify. I am referring to the Millennium Development Goals, which are the internationally agreed objectives.

Senator MENENDEZ. OK.

Dr. SACHS. So that is what I think we should subscribe to. If you look around the world, almost all governments, the United Nations, the World Bank, the IMF, the other donor agencies have organized around these eight Millennium Development Goals. If the U.S. would do so as well to a much greater extent, we would be able to leverage our influence far greater than we do.

Now, in addition, and this is the point of confusion, we have something called the Millennium Challenge Corporation, which actually is not based on the Millennium Development Goals. It uses the same word in front. The Millennium Challenge Corporation was a good idea to try to give more funding to qualifying countries.

In my view, and it is a complicated subject, lots of opinions, I do not believe it has succeeded, and I do not believe it is worthy of continuing in its current form. Most people disagree with me, I have to say. But I think that is inertia.

It never found a strategy. Simply asking countries let us work on something, in my view, is not good enough for what we spend our development assistance dollars on.

I would wrap up that money into the USAID budget, expand the general USAID portfolio, have clear objectives of USAID, as I have mentioned many times, around the Millennium Development Goals, around the climate change goals, and so forth. But I would not keep a separate corporation. I don't see any logic of separating that or of holding it at bay.

And in practice, these qualifying scores, for a lot of reasons, turn out to be arbitrary in practice. But worse than that, if you actually look at an MCC program—there are a dozen or so at this point—there are often 500 pages of legal boilerplate. It became an incredibly burdensome, poorly targeted effort, and I think that it is a clear case of fragmentation that should be eliminated to bring back the budget within a USAID context.

Senator MENENDEZ. If you can answer briefly, then I think we are going to have a vote, and I still want to give Senator Shaheen—she stayed. So I assume she has some questions here.

So—

Reverend BECKMANN. I do disagree strongly with Dr. Sachs on the Millennium Challenge Account. It is an important—what is distinctive about it, it is responsive to the local government, and there are clear development criteria and there is a decisionmaking process so that we don't end up just giving money to strategically important countries, whether they are middle income, whether they have got prodevelopment governments or not. I think it is working very effectively.

So there needs to be some kind of coordination or connection between the MCA and AID. But if anything, AID ought to be more like the MCA, not MCA merged into AID.

I agree that as we—the United States would do well to be part of the international development goals. And with 2015, 2015 is when the goals—they were targeted as 2015 goals. The world has changed. So there is an opportunity right now for the United States to provide leadership and rearticulate those goals for the next 10 or 15 years in a way that will—they are good goals. The world is on one track, but that would put us as part of the world family.

That would be a good—

Senator MENENDEZ. On the first part of your answer, though, let me just say can we not create country ownership, without necessarily—and create, as Jack Lew has talked about, giving the partners more of a say on how the resources are targeted by either building capacity so that they have the ability to do that themselves and/or by focusing on projects that are aligned with the recipient countries' needs and interests as they see them.

But if we hold everybody up to the Millennium Challenge standards to get in, there are few countries that are going to be able to achieve it, at least in the first instance. And that would leave many of the very people you are concerned about, some of the poorest people in the world who won't be able—

Reverend BECKMANN. Sure.

Senator MENENDEZ [continuing]. Because they live in countries, the happenstance of which they won't be able to meet that standard.

Reverend BECKMANN. Sure, not every country can qualify for the Millennium Challenge Account—for those criteria. But establishing the criteria, and then they have this transition country program to help countries who don't quite qualify get into the program. But what it does is focuses on the policies of the government so you get prodevelopment policies. I think it has been effective in encouraging prodevelopment policies in poor countries. And in some of those countries, then it is providing important funding for programs that the governments asked for.

So it is interesting. I think half the MCA compacts include major investments in agriculture. Our Government is just now finally saying, hey, we ought to be doing more in agriculture. But the Government of Ghana, the Government of Honduras, the Government of Cape Verde 3 or 4 years ago, when they finally got a chance to tell the United States what they wanted, said help us with agriculture.

Senator MENENDEZ. All right.

Reverend BECKMANN. So I think there is a lot there to be preserved.

Mr. MCPHERSON. I associate myself with David's views.

Senator MENENDEZ. I appreciate you doing that. [Laughter.]

We have a vote that is going on.

Senator Shaheen.

Senator SHAHEEN. I will be very quick. We had a hearing yesterday here on the connection between climate change and national security, and our panelists testified that those countries most affected by climate change also tend to be the poorest, most conflict-ridden. And so, as we are thinking about how we look at our foreign aid efforts and revise them for the future, how should we be factoring climate change in and coordinating with what we need to do in that area?

Mr. MCPHERSON. I think one of the things that we need is to have capacity in countries. It is not just us telling them how to do it. We need to have the intellectual structural capacity to be able to diagnose their own problems, and that takes effort. But it can be done.

Dr. SACHS. Senator, I think, indeed, it is important to define our objectives in this area as sustainable economic development, which includes the environmental and the climate component because development will be profoundly undermined by these trends. That is the picture today. These are drylands.

Incidentally, it is going to deeply affect our own development in this country if we don't get on top of this because we are not so effective at responding to the climate change either. So this is a global threat to development in a fundamental way, and USAID ought to have in its agenda that integrated assignment of linking the global climate adaptation and resiliency to the other development challenges.

Senator SHAHEEN. Thank you.

Anything you want to add, Mr. Beckmann?

Reverend BECKMANN. I associate with Jeff Sachs.

Senator SHAHEEN. OK. Thank you all very much. We have to go vote.

Senator MENEDEZ. OK. With that, let me thank you all on behalf of the chairman for your testimony.

The record will remain open an additional day for members who may want to submit questions for the record. If you do receive them, we would ask you to answer them as soon as possible.

And with the thanks of the chairman, the committee is adjourned.

[Whereupon, at 4:20 p.m., the hearing was adjourned.]



## Additional Material Submitted for the Record

### RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD

RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD  
BY SENATOR LUGAR TO PETER MCPHERSON

*Question.* Quadrennial Review. Secretary Clinton recently announced the start of a Quadrennial Diplomacy and Development Review (QDDR) process similar to the QDR process at the Pentagon. As this is a new process for the State Department, what elements do you believe are important for its success?

*Answer.* Former USAID administrators Brian Atwood, Andrew Natsios and I recommended in the November 2008 edition of *Foreign Affairs* that the administrator chair an interagency foreign assistance committee to coordinate policies among agencies that have other foreign assistance programs, and produce a Quadrennial International Development Review. Clearly the State Department and the National Security Council should have an important role in the review but we recommended that it be lead by the administrator. We wrote that the review present a government-wide strategy for addressing international development including trade, finance, the environment, and agriculture policies. It should identify the major development challenges that will need to be addressed and discuss a variety of potential scenarios depending on global conditions. It should provide analyses on how the United States will need to change its foreign assistance policies and programs to address the problems identified.

*Question.* Evaluation. Many observers note that USAID used to have a robust evaluation program. The agency conducted impact evaluations and widely disseminated its findings among the development community. What are your recommendations for restoring this capacity?

*Answer.* I applaud the bipartisan bill's focus on evaluation. The function should never have been cut back at USAID. An organization that does not learn from its mistakes is bound to become sterile and ineffective. I suggest that the strong evaluation function be within USAID itself. It takes senior level attention but I think appropriate staffing can avoid some of the institutional bias and engender a genuine independent and constructive analysis. The evaluations should focus on a few key outcomes as recommended in the bill, not process and inputs.

Similarly, I support reestablishing the lessons learned center suggested in the bill, probably associated with the evaluation office. We need to look at what does work and what does not work. However, reasonable risk taking should not be discouraged. We need to ensure creative and innovative efforts are encouraged.

I also suggest creating a "think tank" for cross-agency evaluation that would undertake major studies of issues and problems and would be kept vibrant and relevant by a board from several agencies. A National Academy model could be considered, for example.

*Question.* Doubling U.S. Foreign Assistance. President Obama has pledged to double U.S. foreign assistance. Given the current state of affairs—programs spread among some two dozen agencies and less than optimal capacity at the State Department and USAID—do you believe the current structure can handle this level of increase?

*Answer.* Doubling foreign assistance would be appropriate if properly allocated and managed. The administration should be commended for making the case publicly. It must, however, be well thought through. Increased foreign assistance levels must happen in conjunction with rebuilding USAID's technical and management capacity. Putting more money into the system without increasing technical capacity will simply result in the continuation of USAID implementing development programs through mega-contractors, which has been found wanting. Programs and policies are only as good as the people implementing them. USAID is a shadow of its former structure and is circumvented when a new challenge arises. Rather than creating workaround solutions, we must confront the core problem and recognize that we need to build our core development capability with more and better trained personnel. I applaud the request from the administration and your support for additional technical and management staff at USAID.

*Question.* Aid Objectives. Some observers, including Dr. Sachs, urge that U.S. assistance should be reorganized around a few strategic objectives. I have drafted legislation with Senator Casey—the Global Food Security Act—in which we advocate that development assistance be reoriented toward hunger and poverty alleviation.

In some countries, this would mean focusing more on agriculture, in others on nutrition, and in still others on education, but the goal of poverty and hunger reduction would be the overarching objective. Do you believe that this type of focus would be effective?

Answer. I applaud the leadership you and Senator Casey have shown in introducing S. 384 and getting it passed through the Committee. The university community is strongly behind your legislation. Focusing on hunger and poverty alleviation through increasing agricultural productivity is essential. It is a critical element in economic growth, which will lift people out of poverty. A key feature of the bill is to create partnerships between U.S. and host country colleges and universities for the human and institutional capacity building, which is critical to long-term development. This legislation is particularly timely in light of the President's efforts to double funding for international agriculture development with a major role for land-grant universities. S. 384 will implement most of the President's priorities for international agricultural development and improved global food security. I think a refocus on agriculture can work well. However, I am uneasy about a massive reorganization beyond that because it usually takes a couple of years for a major reorganization to shake out. Strengthening budget and policy capabilities plus bringing in many senior technical and management people must be done.

Institutions of higher education in the United States have historically played a key role in international development, particularly in agriculture. Universities are essential in building the human and institutional capacity in developing countries necessary for sustained economic growth. Unfortunately, during the past 20 years, the U.S. foreign assistance strategy has underinvested in agriculture and under-leveraged the resources of colleges and universities to help address critical global development problems. While a number of factors were responsible for the acute global food crisis last year, one of the major causes was a flattening out of agricultural productivity in many developing countries especially Africa. Your bill goes a long way in reversing the underinvestment and will help avert major food shortages in the long-term.

*Question.* Independence of USAID. Some observers have suggested that USAID is on the verge of being turned into an implementing agency, rather than a full partner with the State Department in achieving U.S. foreign policy objectives. Would you please speak to the value of an independent aid agency? What role do you believe the State Department should play with regard to foreign assistance policy?

Answer. Defense, diplomacy, and development must work together, with each providing an appropriate role for our foreign policy and international relations. Although this doctrine assumes some balance among the three "D's," in practice this has not been the case, and development has been the weakest link. Most foreign policy observers acknowledge that balance must be restored. There is substantial evidence that poverty contributes to conflict, the breakdown of order and even the likelihood of state failure. Advancing development in other countries is in-and-of-itself a core national interest of the United States.

The pursuit of that interest requires a separate, vigorous and restructured U.S. development agency—the U.S. Agency for International Development (USAID)—along with a strong State Department, and a clear division of responsibilities between civilian agencies and the Department of Defense. It is appropriate for the administrator of USAID to report to the Secretary of State but it should not otherwise be subordinated into the Department. Over many years, USAID has been essentially neutered by staff cuts and the allocation of functions to other parts of the government thereby weakening the coordination and coherence of foreign assistance. Recent administrative actions have essentially folded USAID into the State Department, which has diminished the development role of USAID and proved otherwise unsuccessful.

In brief, the status quo does not work. Reinvigorating our development capabilities and providing a more robust and coherent foreign assistance program will require action by both Congress and the Executive Branch.

There needs to be consistency, clarity, and coherence between the State Department and USAID. U.S. foreign assistance policies and programs should remain within the U.S. foreign policy and national security strategy, as determined by the President and the Secretary of State, and the development activities in a country will fit under the oversight of the ambassador as the president's representative. The big organization issue cannot crowd out the subordinate matters.

The division of responsibilities between the State Department and USAID are complicated, but I have a number of suggestions based on my experiences. I believe we need a strong separate agency reporting directly to the Secretary of State. The Secretary needs to have some policy involvement and oversight with the largest

source of program monies traditionally available to him or her. U.S. foreign assistance activities must, to the fullest extent possible, be consistent with and supportive of overall foreign policy goals. Moreover, the Secretary of State is almost always going to be more powerful within the Executive Branch and with Congress than a development administrator or cabinet member. USAID often needs the active support of the Secretary of State.

*Question.* Policy Capacity. Some have argued that USAID does not need a separate policy and planning bureau since this function is being carried out by the State Department's F Bureau. Others believe that diplomacy and development are two distinct and different missions and require their own policy approaches. What is your opinion on how the State Department and USAID can work together to ensure that the development and diplomacy pillars support U.S. foreign policy objectives?

*Answer.* It is critical that USAID have its own budget and policy capability, preferably in the same USAID office. USAID needs to be able to argue a coherent overall budget to the State Department in order for there to be a full voice for development. Budget and policy are inextricably linked. USAID must have a role in creating their budget in order to sustain a coherent structure. A USAID budget function will not detract from the State Department's ability to consider those proposals for the whole foreign affairs budget.

USAID must have a strong policy office to be a creditable organization, as the bipartisan draft bill recognizes. The development agency has to be able to provide well-reasoned analysis and recommendations for the State Department. I support the draft bill's provision to reestablish a Bureau of Policy and Strategic Planning at USAID.

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RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD  
BY SENATOR LUGAR TO DAVID BECKMANN

*Question.* Quadrennial Review. Secretary Clinton recently announced the start of a Quadrennial Diplomacy and Development Review (QDDR) process similar to the QDR process at the Pentagon. As this is a new process for the State Department, what elements do you believe are important for its success?

*Answer.* I am hopeful that the QDDR will consider development not just as a tool, but also as a goal, of U.S. foreign policy. There are important relationships and synergies between our diplomatic and development efforts, and in order for both to be most effective, they must operate in a coordinated manner. However, because they are distinct in nature and in how they are executed, they also need to be viewed and approached as distinct elements of U.S. foreign policy that must be individually strong and separate when considering U.S. engagement with the world. With respect to foreign assistance designed to achieve poverty alleviation and other long-term development goals, I hope that the QDDR will explore ways to ensure this funding is walled off from funds devoted to achieving more short-term, diplomatic objectives. Our global development efforts will only succeed if they are supported with consistent and predictable funding over time.

*Answer.* Poverty, disease, and a lack of opportunity anywhere in the world present challenges to U.S. national interests as well as U.S. national security. President Obama has acknowledged the centrality of achieving global development goals to the U.S. in pledging to make the Millennium Development Goals America's goals. While we certainly believe supporting sustainable development in hot-button countries should be a priority of the U.S., we also believe that, even in countries that are not at the top of the list of strategic threats and partners, the U.S. should join host governments and other donors in doggedly pursuing global development goals. We are hopeful that the QDDR's assessment of the range of global threats, challenges, and opportunities will acknowledge that global poverty—in and of itself and quite apart from any diplomatic considerations—is a primary concern of the U.S.

*Question.* Evaluation. Many observers note that USAID used to have a robust evaluation program. The agency conducted impact evaluations and widely disseminated its findings among the development community. What are your recommendations for restoring this capacity?

*Answer.* As with any significant investment of taxpayer funds, we need to know that dollars devoted to global development are well spent and are achieving the intended objectives in both the short and long terms. Efforts by the United States to evaluate the impact of our development programs have been spotty at best. Recent trends—including the F process, PEPFAR implementation, and the Defense Department's increased involvement in development and reconstruction efforts—have fo-

cused significant attention on creating and reporting on short-term outputs for monitoring purposes (i.e., how many people are being fed/treated/attending school), rather than evaluating the longer-term impact of these efforts. By disregarding longer-term impact evaluation, we have lost the opportunity to learn what kinds of programs are effective or wasteful and what programs are successful enough to be expanded and replicated. Financial and staff resources devoted to impact evaluation generates huge returns: identifying best, and worst, practices can leverage spending by other agencies and by developing countries themselves, making each dollar spent more effective at helping those who need it most around the world.

An effective evaluation system generates different kinds of information for different purposes. Operations and process evaluation involves in-house experts engaged with practitioners and provides managers with efficiency information. Output evaluation—counting numbers of schools built, vaccines given, etc.—helps with managerial decisions and resource accountability and is best done with a combination of in-house staff and external review. Impact evaluations, which consist of broader targets—better educated students, lower child mortality rates, etc.—are not needed for every program but should focus on new interventions and popular existing approaches that have no evidence of effectiveness.

The U.S. can improve evaluation of global development programs and make these programs more effective by: (1) Creating an independent office for evaluating the impact of foreign aid programs across federal agencies; (2) Identifying strategic programs for evaluation, focusing on the costly or controversial; (3) Appointing an independent external advisory group to provide oversight; (4) Creating a help desk to support foreign aid programs that wish to undergo impact evaluations; (5) Requiring that all impact evaluations undergo external peer review; (6) Joining the International Initiative for Impact Evaluation (3ie) and using it as a source of technical expertise and independent technical review; and (7) Appointing head officials in development agencies who are committed to learning and will modify approaches based on evaluation results. Legislation that you helped craft and recently introduced, the Foreign Assistance Revitalization and Accountability Act of 2009 (S. 1524), goes a long way towards achieving these goals by calling for the creation of an independent Council On Research and Evaluation of Foreign Assistance that would reside in the Executive Branch and be responsible for objectively evaluating the impact and results of all development and foreign aid programs undertaken by the U.S. Government. In addition, the bill would create an Office for Learning, Evaluation, and Analysis in Development in USAID's reestablished Bureau for Policy and Strategic Planning (as called for in the legislation) that would link evaluation and research results to strategic planning and policy options, coordinate the evaluation processes of USAID bureaus and missions, develop a clearinghouse capacity for dissemination of knowledge and lessons learned to the wider community, and closely consult with the Council. These are very strong steps for restoring USAID's evaluation capacity.

*Question.* Doubling U.S. Foreign Assistance. President Obama has pledged to double U.S. foreign assistance. Given the current state of affairs—programs spread among some two dozen agencies and less than optimal capacity at the State Department and USAID—do you believe the current structure can handle this level of increase?

*Answer.* U.S. global development efforts have yielded successes and continue to be successful in several areas. However, we can always do better, and our global development efforts are no exception. Good intentions have led to fragmented management of our foreign assistance, policies that don't quite match up, and a maze of rules, regulations, and objectives. Now is the time to streamline how we approach these programs to maximize effectiveness and ensure that U.S. taxpayers are getting the most for their money and that recipients of aid are getting what they need to lift themselves up out of poverty and build their communities.

We can appropriate more funds without any reform at all and programs will continue to help people around the world, but we'd be remiss not to take the opportunity that has presented itself—intense interest in development from both chambers of Congress and the new administration—to make things work better. One way to achieve that is a wholesale rewrite of the outdated and unwieldy Foreign Assistance Act (FAA) of 1961, which serves as the current legislative authority for U.S. foreign assistance. The Act simply does not reflect current challenges confronting the United States. Hundreds of amendments have added multiple objectives and priorities that in some cases conflict with one another, rendering the FAA irrational from a policy perspective, administratively burdensome, and wholly lacking in strategic vision. Multiple foreign aid laws, separate from the FAA, have been enacted,

sometimes intended to achieve work-arounds of the core 1961 Act, but resulting in a enormous body of fragmented and disconnected statutes directing policy.

The Obama administration should work with Congress to plan, design and enact a new FAA. The new Act should clearly outline the objectives of U.S. foreign assistance programs; consolidate decision making and implementation functions; specify the roles and responsibilities of other Cabinet agencies where appropriate; clarify the coordination of oversight responsibilities and functions; adjust regulatory requirements to fit the reality of implementing assistance programs; and discourage political and bureaucratic constraints (such as earmarks and presidential initiatives).

*Question.* Aid Objectives. Some observers, including Dr. Sachs, urge that U.S. assistance should be reorganized around a few strategic objectives. I have drafted legislation with Senator Casey—the Global Food Security Act—in which we advocate that development assistance be reoriented toward hunger and poverty alleviation. In some countries, this would mean focusing more on agriculture, in others on nutrition, and in still others on education, but the goal of poverty and hunger reduction would be the overarching objective. Do you believe that this type of focus would be effective?

One of the primary problems with our current global development system is the lack of clear objectives and goals which is one of the reasons the Modernizing Foreign Assistance Network is calling for a National Strategy for Global Development. In recent years, the goals of our assistance, whether they are humanitarian, political, development or military, have become conflated, making it impossible to properly measure or hold accountable programs for specific results. I agree that development assistance should be focused on alleviating hunger and poverty with a firewall between these longer-term funds and those meant to achieve shorter-term political objectives. By involving the developing countries themselves in the determining of development priorities, we can assure that this overarching goal is tailored to meet different countries' needs. I believe this would go a long way to making our country's development assistance both more effective and accountable. More closely aligning U.S. efforts with internationally agreed goals, such as the Millennium Development Goals, would be one way to do this.

On June 10, 2009, the State Department issued a Fact Sheet on the Obama administration's whole-of-government approach to their new food security strategy. While the strategy is still being drafted, they have identified six principles to guide them, which is an example of how we can apply certain universal principles in carrying out U.S. development assistance across all sectors.

1. Support sustainable solutions to hunger.
2. Invest in country-led plans.
3. Strengthen coordination.
4. Adopt a comprehensive approach.
5. Work together through multilateral institutions and mechanism.
6. Long-term commitment to achieve our goals.

*Question.* Independence of USAID. Some observers have suggested that USAID is on the verge of being turned into an implementing agency, rather than a full partner with the State Department in achieving U.S. foreign policy objectives. Would you please speak to the value of an independent aid agency? What role do you believe the State Department should play with regard to foreign assistance policy?

*Answer.* Addressing today's global challenges requires that all three pillars of our foreign policy strategy—defense, diplomacy, and development—can operate at optimum capacity and effectiveness. We must ensure that all three pillars are equally strong, independent, and effective, and that the differing perspectives they bring to the table are given equal voice. Development is distinct from diplomacy—it provides longer-term strategic investments in economic stability and social welfare rather than tending to the shorter-term requirements of diplomacy, security, and commercial interests.

The State Department should continue to take the lead on U.S. diplomatic policy—its core competency—including determining the strategy for and implementation of foreign assistance for political, diplomatic and security purposes. State's strength, however, is as a policy, negotiating and reporting agency—not as an implementing agency managing programs in the field—and its mission is to serve immediate political needs rather than longer-term development objectives. We will only realize the full impact of global development if our development agencies are empowered to think and act strategically about how development can contribute to our national interest and best help those in need.

*Question.* Policy Capacity Some have argued that USAID does not need a separate policy and planning bureau since this function is being carried out by the State Department's F Bureau. Others believe that diplomacy and development are two distinct and different missions and require their own policy approaches. What is your opinion on how the State Department and USAID can work together to ensure that the development and diplomacy pillars support U.S. foreign policy objectives?

*Answer.* Overall, despite some achievements in the framing and reporting of foreign aid, the addition of the F Bureau has contributed to: the weakening of USAID and country-driven development; counterproductive, Washington-based micro-management of field-level strategy and budgeting; and the fragmentation of responsibility for development programs.

Given the appointment of Jack Lew as Deputy Secretary of State for Management and Resources, and the need to reestablish the USAID administrator as the key development policy advisor in the U.S. Government with direct reporting to the Secretary of State, the position of Director of Foreign Assistance should be eliminated. The F Bureau's staff and responsibilities should be split appropriately between the Office of the Deputy Secretary and USAID.

Creating a strong development agency requires restoring responsibility for overall development policy strategy and authority to an empowered USAID. In particular, development assistance strategies, sectoral strategies and country strategies should be under USAID's authority. The policy function (formerly PPC) currently resident in the F Bureau should be transferred back to USAID to facilitate long-term thinking and planning on development policy, and USAID should regain the capacity to design its programs in-house. Legislation that you helped craft and recently introduced, the Foreign Assistance Revitalization and Accountability Act of 2009 (S. 1524), would do just that by reestablishing the Bureau for Policy and Strategic Planning at USAID.

Thank you, Senator Lugar, for your support.

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RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD  
BY SENATOR CORKER TO PETER MCPHERSON

*Question.* Do you believe that the number of agencies that we have working in development, particularly where there is a mission overlap, enhances or detracts from our ability to effectively coordinate a development strategy? Would it make sense reduce the number of agencies or to "divvy" up the responsibilities so that each of our agencies can establish an expertise in their function rather than being jacks-of-all-trades? For instance, the MCC and USAID perform many overlapping functions, particularly in the MCC Threshold Program, creating competition among agencies. Should this overlap in program function be deconflicted?

*Answer.* As practical there should be a central place in the U.S. government that has the responsibility for driving an overall foreign assistance program to provide coherence and maximize efficiencies. I feel that this should be USAID. For example, I think there needs to be greater coordination of USAID and the Millennium Challenge Corporation (MCC). If the MCC is to be kept separate then I think that the USAID administrator should be the chair of the board of MCC rather than the Secretary of State. We have to be careful not to further build up mini USAID-like programs throughout the government because domestic expertise does not automatically translate into international expertise and the management problems are compounded. The reality is that some programs are already established and some are making important contributions and will not be disbanded. I suspect that coordination by the State Department and USAID alone of these separate programs is not possible, especially with DOD. Therefore I feel that consideration should be given to a White House Development Council co-chaired by a NSC senior staff person and the USAID administrator. The Council would be made up of departments and agencies with foreign assistance programs and interests. At the country level there must be someone with broad powers, reporting to the Ambassador in the field and to the appropriate USAID staff in Washington, who coordinates U.S. assistance work in the country. Usually this would be the USAID mission director. This is a pressing need. These ideas and needs underline the requirement that management and technical staff of USAID need to be rebuilt and that USAID must have its own budget and policy capability.

*Question.* Reporting to Congress has been the traditional way of ensuring accountability but can be overly burdensome: a 2007 SFRC report found that staff and consultants working for USAID in Mozambique spent over 600 work days planning their work and reporting to Washington that year. When asked about U.S. aid to

Africa at a hearing in March Secretary Clinton said, “I don’t know where a lot of it ends up. And our transparency and our accountability measures are not adequate.” Can we increase transparency without increasing reporting? How do we reduce duplicative reporting that doesn’t tell us whether our aid is working, and focus on the results that matter most?

Answer. Most experts acknowledge that USAID spends an inordinate amount of time responding to requests from Washington. However, part of the problem stems from the declining technical expertise in the Agency. As more field work has become performed by large contractors, and as confidence in USAID has declined, there has been a requirement for more detailed oversight of the agency. “More is better” has often been self-defeating. We need to strengthen the agency and then have sound oversight. The Agency’s Development Leadership Initiative is certainly a step in the right direction to rebuild the technical expertise of the Agency. USAID should also use the administrative determination authority positions to make senior technical staff appointments. It is a flexible tool that is faster and more certain than the usual process and should be helpful for immediately building senior technical and leadership strength. In addition, a more streamlined administrative foreign assistance structure, with USAID as the lead foreign assistance agency (partly discussed in the previous question) would help. As the foreign aid apparatus becomes less confusing and more streamlined, greater accountability will follow. Finally, greater collaboration between the administration and Congress is ultimately necessary to ensure Congress gets the information it needs, while weeding out unnecessarily oversight.

*Question.* In Giles Bolton recent book, “Africa Doesn’t Matter: How the West Has Failed the Poorest Countries and What We Can Do About It,” he offers the DFID (UK Department for International Development) model of greater budget support where the government receives more money to provide basic services for its people and fewer project-specific dollars as one formula for making foreign assistance more effective. In your evaluation, would greater budget support provide more tangible, long-term results?

Answer. Critical for development in the long-term is the building human resources. Building human capacity in developing countries serves as the foundation of economic growth and sustainable societies. Also important is creating and disseminating technology. Sometimes budget support can be appropriate but it is generally not the best use of outside money.

*Question.* What is your assessment of the F Bureau? Is it functioning in such a way as to promote effectiveness and efficiency in our foreign assistance or does it create an unnecessary bureaucratic layer to the process?

Answer. The “F” budget in the State Department in the last administration was the classic case of how to do it wrong. They had so many inputs and outcomes to report that everything and nothing ended up to be important. By one measure “F” was asking for information on 400 inputs and outcomes. There apparently is some rollback of all this but I suspect not enough. There is lots of experience and much written about this type of problem in government and non-profits. The key is to think hard about what is critical to measure and fight off doing more.

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RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD  
BY SENATOR CORKER TO DAVID BECKMANN

*Question.* Do you believe that the number of agencies that we have working in development, particularly where there is a mission overlap, enhances or detracts from our ability to effectively coordinate a development strategy? Would it make sense reduce the number of agencies or to “divvy” up the responsibilities so that each of our agencies can establish an expertise in their function rather than being jacks-of-all-trades? For instance, the MCC and USAID perform many overlapping functions, particularly in the MCC Threshold Program, creating competition among agencies. Should this overlap in program function be deconflicted?

Answer. Consolidation of U.S. foreign assistance programs would improve organizational capacity, streamline bureaucracy, and strengthen the contribution that U.S. global development initiatives make to our foreign policy. One of the consequences of having such an outdated U.S. development system is that it has been easier to add more and more layers than address underlying inefficiencies. The proliferation of programs and agencies is compounded by the lack of an overarching strategy with no single person being truly accountable for the U.S. government’s efforts in global development.

Foreign assistance today is administered by over 50 governmental offices, through more than 20 agencies and 12 departments, and lacks a coherent National Strategy for Global Development (NSGD). A NSGD is needed to set priorities for the selection of development initiatives and to coordinate the development activities of relevant government agencies. Given the limited resources available for foreign assistance worldwide and the variety of problems to address, it is essential that the United States think systematically about the most effective ways to reduce global poverty while advancing its national interests.

MCC is currently undertaking a review of the Threshold Program to evaluate what the future of the program should be, and I look forward to seeing their results.

*Question.* Reporting to Congress has been the traditional way of ensuring accountability but can be overly burdensome: a 2007 SFRC report found that staff and consultants working for USAID in Mozambique spent over 600 work days planning their work and reporting to Washington that year. When asked about U.S. aid to Africa at a hearing in March Secretary Clinton said, "I don't know where a lot of it ends up. And our transparency and our accountability measures are not adequate." Can we increase transparency without increasing reporting? How do we reduce duplicative reporting that doesn't tell us whether our aid is working, and focus on the results that matter most?

*Answer.* To be effective and sustainable, U.S. foreign assistance must be transparent and available to all parties. This is important to ensuring sustained political support, proper oversight, and overall accountability. Making U.S. foreign aid transparent is not just important to U.S. taxpayers; it's fundamental to smart development. Unless recipient countries receive comprehensive, timely and comparable information from donors, intended recipients can't hold their governments accountable, and those governments can't plan, prioritize or explain what they are doing to their populations.

Reports are certainly one way to disseminate information. However, years of reporting requirements have led to a system that is frequently overlapping and increasingly burdensome. Any reform should include simplified and streamlined reporting requirements with a determination of what information and analysis would truly be useful and do away with those that are not.

One of the reasons so many reporting requirements exist is the lack of overall transparency of our programs. Using newly available technology tools, we can make a great deal of information publicly available through websites and other means, decreasing the need for superfluous and time-intensive reports on basic program attributes and activities.

*Question.* In Giles Bolton's recent book, "Africa Doesn't Matter: How the West Has Failed the Poorest Countries and What We Can Do About It," he offers the DFID (UK Department for International Development) model of greater budget support where the government receives more money to provide basic services for its people and fewer project-specific dollars as one formula for making foreign assistance more effective. In your evaluation, would greater budget support provide more tangible, long-term results?

*Answer.* There are cases where budget support has been used very effectively. However, it is not a panacea and can't be used responsibly in many circumstances. However, the U.S. should look creatively at how our development programs can help build institutional capacity in developing countries while still ensuring accountability to the U.S. taxpayer through effective programming. The Millennium Challenge Account has sought to achieve this while also determining best practices. Other donors, such as the International Fund for Agricultural Development (IFAD), use a different model to work through country systems while maintaining fiscal control. These are tools that the U.S. development program should take advantage of depending on each country's context.

*Question.* What is your assessment of the F Bureau? Is it functioning in such a way as to promote effectiveness and efficiency in our foreign assistance or does it create an unnecessary bureaucratic layer to the process?

*Answer.* Overall, despite some achievements in the framing and reporting of foreign aid, the addition of the F Bureau has contributed to: the weakening of USAID and country-driven development; counterproductive, Washington-based micro-management of field-level strategy and budgeting; and the fragmentation of responsibility for development programs.

Given the appointment of Jack Lew as Deputy Secretary of State for Management and Resources, and the need to reestablish the USAID Administrator as the key development policy advisor in the U.S. Government with direct reporting to the Secretary of State, the position of Director of Foreign Assistance should be eliminated.



The F Bureau's staff and responsibilities should be split appropriately between the Office of the Deputy Secretary and USAID.

Creating a strong development agency requires restoring responsibility for overall development policy strategy and authority to an empowered USAID. In particular, development assistance strategies, sectoral strategies and country strategies should be under USAID's authority. The policy function (formerly PPC) currently resident in the F Bureau should be transferred back to USAID to facilitate long-term thinking and planning on development policy, and USAID should regain the capacity to design its programs in-house. The legislation that you helped craft and recently introduced, the Foreign Assistance Revitalization and Accountability Act of 2009 (S. 1524), would do just that by reestablishing the Bureau for Policy and Strategic Planning at USAID. Thank you, Senator Corker, for your support.

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RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD  
BY SENATOR CORKER TO JEFFREY SACHS

*Question.* Do you believe that the number of agencies that we have working in development, particularly where there is a mission overlap, enhances or detracts from our ability to effectively coordinate a development strategy? Would it make sense reduce the number of agencies or to "divvy" up the responsibilities so that each of our agencies can establish an expertise in their function rather than being jacks-of-all-trades? For instance, the MCC and USAID perform many overlapping functions, particularly in the MCC Threshold Program, creating competition among agencies. Should this overlap in program function be deconflicted?

*Answer.* We should reduce sharply the number of separate programs, and put them under the USAID umbrella. MCC should be folded into USAID, ending it as a separate program (though of course continuing the existing MCC programs under USAID management).

*Question.* Reporting to Congress has been the traditional way of ensuring accountability but can be overly burdensome: a 2007 SFRC report found that staff and consultants working for USAID in Mozambique spent over 600 work days planning their work and reporting to Washington that year. When asked about U.S. aid to Africa at a hearing in March Secretary Clinton said, "I don't know where a lot of it ends up. And our transparency and our accountability measures are not adequate." Can we increase transparency without increasing reporting? How do we reduce duplicative reporting that doesn't tell us whether our aid is working, and focus on the results that matter most?

*Answer.* We would increase transparency by have a few large, significant, and well-targeted programs. The key sectors should include: agriculture, health, education, infrastructure, and business development. In many more cases than now, we should be pooling U.S. funding with that of other donor countries, as we do in the Global Fund to Fight AIDS, TB, and Malaria.

*Question.* In Giles Bolton's recent book, "Africa Doesn't Matter: How the West Has Failed the Poorest Countries and What We Can Do About It," he offers the DFID (UK Department for International Development) model of greater budget support where the government receives more money to provide basic services for its people and fewer project-specific dollars as one formula for making foreign assistance more effective. In your evaluation, would greater budget support provide more tangible, long-term results?

*Answer.* Budget support makes sense in one condition—that we have a clear agreement with the recipient government about what the budget support will actually support (and we monitor and audit the results). It is not good—politically, managerially, or developmentally—to hand over money as a blank check, even to a "trusted" government. Our aid should be accountable, part of a bargain with the recipient country.

*Question.* What is your assessment of the F Bureau? Is it functioning in such a way as to promote effectiveness and efficiency in our foreign assistance or does it create an unnecessary bureaucratic layer to the process?

*Answer.* I believe that a strengthened USAID should be an independent agency, working with the State Department (and of course ultimately subordinate to it when core foreign policy issues are at stake). The USAID Administrator, in my view, should have cabinet rank. I do not believe in housing USAID in the State Department, so I'm not a great fan of the F Bureau approach.

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RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD  
BY SENATOR FEINGOLD TO PETER MCPHERSON

*Question.* In your testimony, you highlighted the possibility for greater collaboration between USAID and Public and Land Grant Universities, primarily with regards to recruitment of experts for senior staff positions. What obstacles exist to this collaboration and what can the administration and Congress do to better facilitate it? Aside from staff recruitment, in what other areas do you think Public and Land Grant Universities can play a greater role in a revitalized and reformed foreign assistance agency and agenda?

*Answer.* One of the obstacles to greater collaboration between U.S. land-grant universities and USAID has been the general decline of agriculture among the Agency's priorities. Another has been the tendency for the Agency to award large, mega-contracts to independent firms, a reflection of the loss of technical personnel within USAID. Additionally, the strengths of universities has been problem solving, analysis, training, and building long-term human and institutional capacity, not the delivery of goods and services, which has increasingly preoccupied the agency in recent years. All of those obstacles are interrelated, but could be addressed by USAID by some of the efforts under consideration, such as the Lugar-Casey bill and proposals by the Administration. I urge the committee to act on the Lugar-Casey proposal.

In addition to recruitment, the university community can help provide the critical scientific analysis for monitoring and evaluation, and help develop metrics to measure impacts necessary for accountability. Universities provide the research networks to develop the innovations and technologies for dramatic increases in sustainable agricultural production. Universities also build the institutional capacity in host countries, which is necessary for long-term problem solving. Finally, universities develop the human intellectual capital that is the core of any prosperous society. Over the past 20 years, USAID's long-term training (higher education degree training) has declined from 18,000 trainees in the United States per year to less than 1,000 last year. These trainees of the past have become government ministers, scientists, administrators and national leaders—the human capital that is critical for a developing country to move forward economically, socially and politically. These individuals have also formed important diplomatic and business links that facilitated productive interactions with the United States. Exposure to the United States and its social and academic environment is critical to this process. Such long-term degree training, coupled with the experience of living in the United States, has shown that these trainees carry a positive lifelong image of our country.

*Question.* The Association of Public and Land Grant Universities has worked to partner U.S. and African universities in order to empower institutions of higher education in Africa to contribute more effectively to development on the continent. What progress has been made thus far, and what lessons learned that could help inform attempts to reform U.S. foreign assistance, specifically related to capacity building and impact evaluations of the initiatives?

*Answer.* The progress to date has been very good. Twenty awards have been issued and ten more are pending. There is a conference in Accra, Ghana in August for awardees and donors, and we are looking to develop the next phase. One of the major lessons we learned is that the interest among the African countries is huge. We received 300 proposals for 20 awards of \$50,000 each. We need to bring more resources to the table to respond to this great demand. Another lesson learned is that the program could benefit from being premised on a strategic plan for a nation or region. A third lesson is the need to focus more on development outcomes with a clearer articulation by Africans on specific development priorities. As we move forward we will be building a robust monitoring and evaluation component, and also establishing Centers of Excellence with universities that identify technical, policy and organizational solutions to pressing regional and national development constraints. I strongly emphasize enough the importance of increased U.S. investment in building higher education capacity in Africa. This is the key to less dependency and to sustained economic growth as we have found in our own country.

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RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD  
BY SENATOR FEINGOLD TO DAVID BECKMANN

*Question.* I have long been supportive of certain programs that address specific issues such as PEPFAR or the Malaria Initiative, and such issue-based programs often draw the widest support from the general public. At the same time, it is clear that if U.S. foreign assistance relies too heavily on issue-specific programs, new ob-

stacles develop such as overlooking certain populations or deprioritizing long term, sustainable development programs. How could U.S. foreign assistance be restructured to better balance the needs of both issue-based programs and broader programs that are strategic in nature?

Answer. Thank you for your continued support of vital programs such as PEPFAR and the President's Malaria Initiative. Development assistance is a crucial tool of American foreign policy. It is the means by which our government fights poverty, supports good governance, and promotes human welfare in developing countries around the world. Though the United States gives more in Official Development Assistance (ODA) than any other country, it does not have an explicit strategy to guide the type of investments it makes across the breadth of the government. Without a strategy, the U.S. cannot achieve the best outcomes from its development programs or ensure that they support American foreign policy objectives in a coherent manner.

A National Strategy for Global Development is needed to set priorities for the selection of development initiatives and to coordinate the development activities of relevant government agencies. Given the multitude of global challenges and the limited resources available for foreign assistance worldwide, it is essential that the U.S. Government think systematically about the most effective ways to reduce global poverty while advancing its national interests. It is not enough simply to spend money on certain sectors (such as health care or agriculture) and to fund the foreign assistance programs of disparate government agencies (from USAID to the Department of Justice) without articulating how those initiatives work together. To be effective on the ground and to maintain the support of the American people, the collective outcome of our disparate development programs must be greater than the sum of its parts. This can only happen with a clear, credible and authoritative plan that guides the development activities of the entire U.S. government. A National Strategy for Global Development—emanating from the White House (ideally the interagency National Security Council) but developed in consultation with Congress and non-governmental stakeholders—would ensure a holistic approach to how the U.S. administers foreign assistance.

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RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD  
BY SENATOR FEINGOLD TO JEFFREY SACHS

*Question.* In your testimony, you named six categories, including agriculture and education, which align with the Millennium Development Goals. How are these categories currently being identified and addressed by U.S. foreign assistance, successfully or otherwise? Could you elaborate on how they might be used to develop a new framework for foreign assistance?

Answer. USAID does not have a good balance among agriculture, education, health, infrastructure, climate change, and business development. Indeed, there is no overarching framework or measurement of the sector allocations. There is no conceptual approach that makes sense. By starting with our goals—the Millennium Development Goals—it would be possible to work “backward” to the methods to achieve the goals. Alas, USAID did not even try to do this during the Bush administration.

*Question.* I have long been supportive of certain programs that address specific issues such as PEPFAR or the Malaria Initiative, and such issue-based programs often draw the widest support from the general public. At the same time, it is clear that if U.S. foreign assistance relies too heavily on issue-specific programs, new obstacles develop such as overlooking certain populations or deprioritizing long term, sustainable development programs. How could U.S. foreign assistance be restructured to better balance the needs of both issue-based programs and broader programs that are strategic in nature?

Answer. The issue-specific programs are very good. They lend themselves to measurement, accountability, and results-based aid. The key is to have enough of these targeted programs (in the six main categories) that the breadth of development needs is really being addressed. We don't need fifty categories, or even fifteen. Ten or fewer major categories will suffice. Each should be driven by metrics, operational systems, and a way to explain to the taxpayers what we are getting for our money—in the form of lower hunger, reduced malaria, more solar power, less illiteracy, lower population growth, etc.

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RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD  
BY SENATOR DEMINT TO PETER MCPHERSON

*Foreign Assistance*

*Question.* President-elect Obama made commitments to “elevate, empower, consolidate and streamline” U.S. development programs. With foreign assistance programs scattered across more than 20 different federal agencies, how should the government address inefficiencies and incoherence within the current structure in order to help maximize the impact of U.S. assistance and instability that threaten prosperity and security globally and at home?

*Answer.* USAID should be a strong separate agency with the Administrator reporting to the Secretary of State (but not the State Department). Some would like the Agency to be a Cabinet-level position but I do not think that is practical. In any case, agreement on principles on the Hill should focus on several key elements, and USAID reauthorizing legislation should put these changes in place and provide the appropriate delegations of authority for USAID. The Administrator should be the government’s Chief International Development Officer and represent the United States at international development conferences, donor coordination meetings etc.

The implementation of this would entail:

- Placing under the Administrator several foreign assistance programs and activities related to development, e.g., PEPFAR and refugees budgets and staff;
- Maintaining and implementing an advisory role for USAID for related foreign assistance programs, such as ESF;
- The Administrator chairing boards of related U.S. government agencies (MCC);
- The Administrator chairing the interagency foreign assistance committee to coordinate policies among agencies that impact or have other foreign assistance programs (Deputy NSC should co-chair), and produce a Quadrennial International Development Review, which creates a government-wide strategy for addressing international development including trade, finance, the environment, and agriculture policies; and
- The Administrator having a seat by law on the National Security Council and other intergovernmental entities that deliberate on policies related to development and foreign assistance:
  - USAID and DOD should jointly plan strategies on an ongoing basis. Such planning would include field operations in countries where U.S. troops are engaged in combat or peacekeeping operations that require the capabilities and resources of DOD and where U.S. civilian agencies have or will expand their role.
  - USAID should have a separate budget relationship with OMB, not through the State Department.

*Question.* What metrics should the U.S. government use to gauge the success of U.S. foreign assistance programs? If the metrics are not met would you advocate for the elimination of a program?

*Answer.* Metrics should be focused on outcomes and impacts, not simply inputs. To be effective, assistance activities must be designed and managed to produce clearly identifiable and measurable results. What must be avoided is letting this worthy objective interfere with long-term mission and impact. Development takes time but it is true that managers need to show results “now.” The imperative to “show results” and the U.S.-centric, bean-counting approach can lead to activities that show quick outcomes and can be quantified and make nice photo-ops but do not contribute to sustainable development. Selective and critical long-term outcome can and should be put in place.

*Foreign Aid Reform*

*Question.* Senator Clinton committed President Obama to “enhancing our foreign assistance architecture to make it more nimble, innovative, and effective.” What specific ideas and actions do you believe are necessary to achieve these goals?

*Answer.* To be effective and relevant, U.S. assistance policies and programs must be flexible and adjust to the needs of each community and country and to changing dynamics. While the basic areas of development need to stay relatively constant—human resources, creation and dissemination of new technology, agriculture and enterprise development, etc.—the needs and requirements of each country is at least somewhat different and changes over time. A new law should set forth the key objectives and priorities for U.S. assistance policies and programs, but how those pro-

grams are implemented in each country can best be determined by those in the field responsible for implementation. There should, when practical, be a “presumption” in favor of a country own priorities. Note, this is a “presumption” of a bottoms up approach, not an absolute requirement.

*Question.* In addition to what metrics we should use to gauge success, what criteria should the government use to determine elimination or reduction of foreign assistance programs?

*Answer.* There are a number of steps that can be taken to evaluate the success of programs and to weed out those that have proven to be ineffective. An organization that does not learn from its mistakes is bound to become sterile and ineffective. I suggest a strong evaluation function be within USAID itself. It takes senior-level attention but I think appropriate staffing can avoid some of the institutional bias and engender a genuine independent and constructive analysis. The evaluations should focus on a few key outcomes not process and inputs.

I also support reestablishing a lessons learned center, probably associated with the evaluation office. I think cross-agency evaluation and analysis can be undertaken through something of a “think tank” that is kept vibrant and relevant by a board from several agencies. This certainly is not full agency coordination, but it could contribute to that goal. A National Academy model could be considered, for example.

We need to learn lessons through a good evaluation system and learning center and act on them in terminating activities and making new allocations.

Also critical to improving foreign assistance management is for USAID to have its own budget and policy capability, preferably in the same USAID office. USAID needs to be able to argue a coherent overall budget to the State Department in order for there to be a full voice for development. Budget and policy drive each other and are inextricably linked. USAID must have a strong policy office to be a creditable organization. The development agency has to be able to provide well-reasoned analysis and recommendations for the State Department to consider. I support the bill’s provision to reestablish a Bureau of Policy and Strategic Planning at USAID.

*Question.* Some of the largest criticism of foreign aid regards distribution monitoring and management. What do you believe is the proper balance between rapid delivery of aid and accountability and oversight to ensure aid does not find its way to terrorist organizations? How can we build a monitoring-and-evaluation capability at USAID that is independent, rigorous and reliable across U.S. foreign assistance activities, that will contribute to restoring the United States as a credible partner, and that will ensure U.S. taxpayer funds are invested well? Is there any way to leverage low-cost technology to track aid distribution, such as an online, searchable database?

*Answer.* In general, I believe that during the last 20 years USAID has moved away from long-term development and more toward transferring goods and services. The issue is not easy because the immediate needs are so great. But it is important that long-term development not be crowded out and that is why I am pleased by the support for agriculture. Sustained progress usually comes by building human resources; creating and distributing technology; and building institutions, stable governments and reasonable economic policies. Often infrastructure plays a key role. There clearly needs to be a balance between programs for addressing urgent short-term human needs and long-term development activities to sustain progress.

I note that much of the progress around the world in the last several decades has been in countries where leadership wanted to see better lives for their people and where the country has taken control of their own future. We need to do a better job of listening to these countries and how they define their needs to the extent practical as we plan our development program. This is the real strength of the Millennium Challenge Corporation (MCC). But we should not limit giving full consideration to needs as set forth by only MCC countries. As I noted in response to an earlier question, there should be a “presumption” that we will support a country as it sees its needs. Note that this is a “presumption” only because there may be other factors that are critical.

Low-cost technologies are being used more frequently. U.S. land-grant universities have increasingly engaged host country institutions through online venues, and professional journals are accessed in digital format. The World Bank is undertaking a multi-billion dollar effort to increase bandwidth and improve connectivity in many developing countries. We are only at the early stages in realizing the almost unlimited potential of ICT, and this should continue to be a very important component of our foreign assistance effort

Donors and recipients must be accountable for their actions. The best path to accountability is transparency in budgets, decision making, and implementation. Implementation cannot be too complicated and constrained by red tape or else formal accountability and well as project success is likely to be defeated. Only rigorous, objective monitoring and evaluation will produce the information and knowledge necessary to know whether assistance activities are effective and to inform whether and how they should be continued or modified. Careful planning must go into what really is important to measure because too many measurements will be self-defeating. Development activities and their evaluation must be based on realistic goals and should be designed to be of benefit not just to donor organizations but also to the intended beneficiaries and indigenous institutions.

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RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD  
BY SENATOR DEMINT TO DAVID BECKMANN

*Foreign Assistance*

*Question.* President-elect Obama made commitments to “elevate, empower, consolidate and streamline” U.S. development programs. With foreign assistance programs scattered across more than 20 different federal agencies, how should the government address inefficiencies and incoherence within the current structure in order to help maximize the impact of U.S. assistance and instability that threaten prosperity and security globally and at home?

*Answer.* One of the consequences of having a U.S. development system so outdated is that it has been easier to add more and more layers than to address the underlying inefficiencies. The proliferation of programs and agencies has been compounded by the lack of an overarching strategy and of any single person being truly accountable for the U.S. government’s efforts in global development. Consolidation of U.S. foreign assistance programs would improve organizational capacity, streamline bureaucracy, and strengthen the contribution that U.S. global development initiatives make to our foreign policy.

*Question.* What metrics should the U.S. government use to gauge the success of U.S. foreign assistance programs? If the metrics are not met would you advocate for the elimination of a program? In addition to what metrics we should use to gauge success, what criteria should the government use to determine elimination or reduction of foreign assistance programs?

*Answer.* The focus on metrics as a way to communicate successes in a measurable way must be balanced with more nuanced and analytic methods to illuminate realities that statistics cannot easily capture or convey. Education policy is a good example of the adverse impacts that can occur when testing and metrics supplant informed judgment and attention to important individual/subgroup needs, when statistics become more important than stories. On the other hand, stories are certainly never the “whole story.” The key is to balance statistics and stories to produce a genuine understanding that will inform both policymakers and taxpayers.

Building a monitoring and evaluation capability that is independent, rigorous and reliable across U.S. foreign assistance activities will contribute to restoring the United States as a credible partner and ensure that U.S. taxpayer funds are invested well. Monitoring and evaluation (M&E) informs program and policy decision makers about whether a desired result is or is not being achieved, as well as for whom and why. Monitoring and evaluation serves multiple purposes at different levels of foreign assistance decision making, requiring M&E systems that are both disciplined enough to ensure high-quality work and flexible enough to cope with the requirements of a complex and decentralized foreign assistance structure.

Quality monitoring and evaluation are critical components of effective governance—including development assistance. USAID, once a leader in project design, monitoring, and evaluation, has lost much of that capacity due to changes in priorities and lost technical expertise. As with any significant investment of taxpayer funds, we need to know that dollars devoted to global development are well spent and are achieving the intended objectives in both the short and long terms. Efforts by the United States to evaluate the impact of our development programs have been spotty at best. Recent trends—including the F process, PEPFAR implementation, and the Defense Department’s increased involvement in development and reconstruction efforts—have focused significant attention on creating and reporting on short-term outputs for monitoring purposes (i.e., how many people are being fed/treated/attending school), rather than evaluating the longer-term impact of these efforts. By disregarding longer-term impact evaluation, we have lost the opportunity to learn what

kinds of programs are effective or wasteful and what programs are successful enough to be expanded and replicated. Financial and staff resources devoted to impact evaluation generates huge returns: identifying best, and worst, practices can leverage spending by other agencies and by developing countries themselves, making each dollar spent more effective at helping those who need it most around the world.

An effective evaluation system generates different kinds of information for different purposes. Operations and process evaluation involves in-house experts engaged with practitioners and provides managers with efficiency information. Output evaluation—counting numbers of schools built, vaccines given, etc.—helps with managerial decisions and resource accountability and is best done with a combination of in-house staff and external review. Impact evaluations, which consist of broader targets—better educated students, lower child mortality rates, etc.—are not needed for every program but should focus on new interventions and popular existing approaches that have no evidence of effectiveness.

Through a more comprehensive and independent monitoring-and-evaluation system for U.S. foreign assistance programs, we can begin to assess their true impact and better weigh resource-allocation decisions based on those measures.

#### *Foreign Aid Reform*

*Question.* Senator Clinton committed President Obama to “enhancing our foreign assistance architecture to make it more nimble, innovative, and effective.” What specific ideas and actions do you believe are necessary to achieve these goals?

*Answer.* There is broad agreement on the need to strengthen the impact of U.S. foreign assistance and to improve the coherence of foreign assistance programs. The current bureaucratic architecture is based on the Foreign Assistance Act of 1961, an outdated piece of legislation which was drafted in response to Cold War threats and which does not effectively address 21st century challenges such as extreme poverty and climate change. Well-executed investments in development align closely with American values and can help create security and prosperity at home and abroad as well as bolster the U.S.’s image globally. But the way in which these programs are managed must be modernized if they are to achieve their full potential impact.

Foreign assistance today is administered by over 50 governmental offices, through more than 20 agencies and 12 departments, and lacks a coherent National Strategy for Global Development (NSGD). A NSGD is needed to set priorities for the selection of development initiatives and to coordinate the development activities of relevant government agencies. Given the limited resources available for foreign assistance worldwide and the variety of problems to address, it is essential that the United States think systematically about the most effective ways to reduce global poverty while advancing its national interests. The following actions—both immediate and longer-term—are essential to making U.S. global development efforts more strategic, efficient, and effective. Taken together, they will:

- Elevate development as a critical component of U.S. national security;
- Empower USAID to become a strong and strategic contributor to U.S. foreign policy interests, with a level of independence and authority necessary to serve as the development policy lead promoting long-term development and poverty reduction efforts coordinated with, but distinct from, shorter-term diplomacy efforts; and
- Better coordinate U.S. foreign assistance activities across the government.

#### *Elevate*

*Appoint Development Leadership as Soon as Possible:* To exert strong leadership on development policy, allocate development resources more effectively in pursuit of U.S. development objectives, and transform USAID into a 21st-century development agency, a high-profile individual who will be respected in the interagency and development communities should be appointed as quickly as possible as USAID Administrator. A strong leader should also be appointed to the MCC, and the trajectories of both the MCC and PEPFAR in the foreign assistance landscape made clear.

*Give Development Its Own Seat at the National Security Table:* The USAID Administrator should be made a member of the National Security Council and of other high-level interagency deliberative bodies. At a minimum, the USAID Administrator should be invited to all NSC Principals Committee meetings dealing with international issues that have a significant development impact.

*Craft a Development Strategy:* The National Security Council should prepare a National Strategy for Global Development, distinct from but consistent and coordinated with the National Security Strategy. This strategy is essential for clarifying

goals and objectives, strengthening coordination of development-related activities spread across the government, and increasing the efficiency and effectiveness of key programs.

*Rewrite the Foreign Assistance Act:* The FAA is unwieldy and outdated, and adds significantly to the costs and inefficiencies of many of our foreign assistance programs. While using the authorities in the current Act more strategically is a good first step, it is no substitute for reaching a new understanding on the goals, objectives, and modalities of foreign assistance programs.

#### *Empower*

*Continue to Re-professionalize USAID:* Rebuilding USAID into a strong and professional development agency with sufficient independence, capacity and flexibility is essential for strengthening our development programs and for restoring USAID as a lead development agency internationally. This would include: ensuring that net increases in personnel at field posts are significant; resolving Operating Expenses (OE) constraints; re-staffing the Agency with technical expertise, including experienced mid-level managers; and bolstering training.

*Bolster USAID's Capacity and Authority for Policy, Planning, and Program Design and Management:* Creating a strong development agency requires restoring responsibility for overall development policy strategy and authority to an empowered USAID. In particular, development assistance strategies, sectoral strategies, and country strategies should be under USAID's authority. The policy function (formerly PPC) currently resident in the F Bureau should be transferred back to USAID to facilitate long-term thinking and planning on development policy and USAID should regain the capacity to design its programs in-house.

*Restore and Strengthen Budget Expertise at USAID:* USAID budget expertise should be restored and strengthened to enable the Agency to provide a meaningful voice for development (and contribute field perspectives) during the budget preparation and interagency budget negotiations. USAID should have staff responsible for strategic budgeting.

*Strengthen USAID's Ability to Partner with NGOs and the Private Sector:* Any reassessment of U.S. development efforts must take into consideration how U.S. resources can leverage the corporate and NGO sectors. A restored and empowered policy planning function at USAID should develop an approach to engaging the corporate and NGO sectors as true partners in achieving global development objectives.

#### *Coordinate*

*Eliminate the Position of Director of Foreign Assistance:* Given the appointment of Jack Lew as Deputy Secretary of State for Management and Resources, and the need to reestablish the USAID Administrator as the key development policy advisor in the U.S. Government, with direct reporting to the Secretary of State, the position of DFA should be eliminated. The F Bureau's staff and responsibilities should be split appropriately between the Office of the Deputy Secretary and USAID. Despite some achievements in the framing and reporting of foreign aid, the addition of the F Bureau has contributed to: the weakening of USAID and country-driven development; counterproductive, Washington-based micromanagement of field-level strategy and budgeting; declining morale; and the fragmentation of responsibility for development programs.

*Transfer Responsibilities for Overall Budget Coordination to the Office of the Deputy Secretary:* Responsibilities for reviewing and coordinating budgets across all foreign affairs agencies, reviewing proposals for reducing inefficiencies and non-performing programs, consulting with Congress on the need to rationalize earmarks, and mobilizing financial resources should all be assumed by the Office of the Deputy Secretary. An empowered USAID would work closely with the Office of the Deputy Secretary on all development assistance-related issues and would have authority over its own budget, including control over the final allocation of development resources across countries and programs based on input from country teams. The Office of the Deputy Secretary would continue to have authority over diplomacy and State-managed foreign assistance. The budgets for State-managed foreign assistance, USAID, MCC, PEPFAR and others could be presented jointly in order to show the full force and application of U.S. foreign assistance. Efforts to officially consolidate the budgets, however, should be avoided.

*Transfer Resource Tracking Responsibilities to the Office of the Deputy Secretary; Establish Top-Line Objectives for Foreign Aid with Performance Tracking Responsibilities Transferred to the Lead Agency:* The Deputy Secretary should absorb the resource tracking function currently housed at the F Bureau, including FACTS, and expand its coverage to be able to report on the MCC and PEPFAR. At the perform-



ance level, a monitoring and evaluation system should be designed in close coordination with State, USAID, MCC and PEPFAR to aggregate to top-line objectives and standardize indicators across foreign aid agencies (regardless of any restructuring or consolidation plans) to both effectively report on the impact of foreign aid and to reduce unnecessary data collection and reporting requirements from the field. Tracking and reporting would be the responsibility of the lead implementing agency, and each agency would have its own monitoring and evaluation capacity. Data and evaluations should be made public, including budget process data at every stage, from request, to pass-back, to Congressional submission, to final appropriation, to 653(a) allocations.

*Metrics and Transparency*

*Question.* Some of the largest criticism of foreign aid regards distribution monitoring and management. What do you believe is the proper balance between rapid delivery of aid and accountability and oversight to ensure aid does not find its way to terrorist organizations? How can we build a monitoring-and-evaluation capability at USAID that is independent, rigorous and reliable across U.S. foreign assistance activities, that will contribute to restoring the United States as a credible partner, and that will ensure U.S. taxpayer funds are invested well? Is there any way to leverage low-cost technology to track aid distribution, such as an online, searchable database?

*Answer.* While I support the goal of ensuring that no taxpayer funds (or any other funds) are diverted to suspected terrorists or terrorist organizations, U.S. NGOs already have systems in place to ensure that no funds are misappropriated for any reason. Moreover, U.S. NGOs that implement official humanitarian and development assistance are required to certify that they will not knowingly provide funds or material support to any individual or organization that advocates or commits terrorism.

Recently introduced legislation by Senators Kerry, Lugar, Menendez, Corker, Cardin, and Risch—the Foreign Assistance Revitalization and Accountability Act of 2009 (S. 1524)—goes a long way towards achieving these goals by calling for the creation of an independent Council On Research and Evaluation of Foreign Assistance that would reside in the Executive Branch and be responsible for objectively evaluating the impact and results of all development and foreign aid programs undertaken by the U.S. Government. In addition, the bill would create an Office for Learning, Evaluation, and Analysis in Development in USAID’s reestablished Bureau for Policy and Strategic Planning (as called for in the legislation) that would link evaluation and research results to strategic planning and policy options, coordinate the evaluation processes of USAID bureaus and missions, develop a clearinghouse capacity for dissemination of knowledge and lessons learned to the wider community, and closely consult with the Council.

The bill also calls for the President to make publicly available all information on U.S. foreign assistance on a program-by-program and country-by-country basis. These are all very strong steps for both improving accountability and transparency for U.S. foreign aid programs. As a point of reference, the Office of the Director of Foreign Assistance began development of the Foreign Assistance Coordination and Tracking System (FACTS) in FY 2006. FACTS is a database that aims to combine USAID and Department of State foreign assistance budget and performance planning and activity reporting data into one central system. Though it is not a public database, it may serve to inform the advent of such a public searchable database.

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RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD  
BY SENATOR DEMINT TO JEFFERY SACHS

*Foreign Assistance*

*Question.* President-elect Obama made commitments to “elevate, empower, consolidate and streamline” U.S. development programs. With foreign assistance programs scattered across more than 20 different federal agencies, how should the government address inefficiencies and incoherence within the current structure in order to help maximize the impact of U.S. assistance and instability that threaten prosperity and security globally and at home?

What metrics should the U.S. government use to gauge the success of U.S. foreign assistance programs? If the metrics are not met would you advocate for the elimination of a program?

*Answer.* It makes sense to bring the aid programs back under one roof, USAID. I believe that USAID should be an independent agency with an Administrator at

cabinet rank (as is the Administrator's counterpart in around a dozen other donor governments). We should focus the aid effort on a few categories. I've mentioned six: agriculture, health, education, infrastructure, climate change (including environment and hazards), and business development. Each of these needs metrics. It would be wise to base these metrics on the Millennium Development Goals (MDGs), since these are the ambitious but sensible objectives that have been internationally agreed by 192 governments, including the U.S.

*Foreign Aid Reform*

*Question.* Senator Clinton committed President Obama to "enhancing our foreign assistance architecture to make it more nimble, innovative, and effective." What specific ideas and actions do you believe are necessary to achieve these goals?

*Answer.* I believe that our aid program should be targeted, based on explicit and quantitative goals, and with an explicit goal of enabling countries to break the poverty trap and thereby end their dependence on aid. The targets should fall in the six categories referred to above. Success should be measured against the Millennium Development Goals, which are the world's agreed goals for reducing extreme poverty and breaking the poverty trap.

*Metrics and Transparency*

*Question.* In addition to what metrics we should use to gauge success, what criteria should the government use to determine elimination or reduction of foreign assistance programs?

*Answer.* There are rather obvious, professionally deployed metrics in each area of concern. Public health specialists, for example, talk about disease burdens (e.g. for AIDS and malaria), child mortality, maternal mortality, immunization coverage, etc. We should be working with recipient countries and global agencies (e.g. the Global Fund to Fight AIDS, TB, and Malaria) to establish quantified goals together with the aid programs. Our aid programs would then be evaluated relative to specific targets.

*Question.* Some of the largest criticism of foreign aid regards distribution monitoring and management. What do you believe is the proper balance between rapid delivery of aid and accountability and oversight to ensure aid does not find its way to terrorist organizations? How can we build a monitoring-and-evaluation capability at USAID that is independent, rigorous and reliable across U.S. foreign assistance activities, that will contribute to restoring the United States as a credible partner, and that will ensure U.S. taxpayer funds are invested well? Is there any way to leverage low-cost technology to track aid distribution, such as an online, searchable database?

*Answer.* By establishing well-targeted programs (e.g. for food production, AIDS control, malaria control, road construction, potable water, etc.) we can track the outlays and measure the implementation relative to goals. This is very important. It is not a good idea, in general, to transfer money to other governments as a blank check, or a matter of trust. Our aid programs should be specific, monitored, quantified, and subject to audit.

It makes most sense for the U.S. to pool its money with other donors, as a matter of leverage and a matter of simplification of the monitoring, goal-setting, and evaluation processes. By pooling our money with other donors, U.S. leadership is leveraged two-or-three to one, and we maintain the ability to help shape and monitor the assistance programs.

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RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD  
BY SENATOR CASEY TO PETER MCPHERSON

*The Administration's Foreign Aid Reform Policies*

*Question.* In April, the Government Accountability Office (GAO) released a report with seven recommendations on how to improve the United States foreign assistance structure. A key phrase that caught my attention in the report was: "once the incoming Administration has defined its overarching goals for foreign assistance, we recommend that the Secretary of State work with all U.S. government entities involved in the delivery of foreign assistance." Although many of us recognize the need for foreign assistance reform here in Congress, it strikes me that the Administration has yet to present its comprehensive foreign assistance strategy.

Mr. McPherson, do you believe that Congress should wait to consider any foreign assistance reform legislation until a USAID Administrator has been confirmed and an Administration policy articulated? If so, why?

Answer. Congress should not wait for the Administration. It should pass legislation in the nature of the bipartisan draft bill being considered by the Committee. In fact, moving forward with the Committee's bill will draw attention within the Administration to foreign aid reform as a priority. Clearly, the Administration's views will be critical and a new USAID Administrator will help advance a foreign assistance reform agenda. But, I believe there is a growing sense of urgency by some members in both the Senate and House on this matter and moving a bill will underline the concern. Let me congratulate you on your leadership on international agriculture. Your bill with Senator Lugar is very much needed.

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RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD  
BY SENATOR CASEY TO DAVID BECKMANN

*The Administration's Foreign Aid Reform Policies*

*Question.* In April, the Government Accountability Office (GAO) released a report with seven recommendations on how to improve the United States foreign assistance structure. A key phrase that caught my attention in the report was: "once the incoming Administration has defined its overarching goals for foreign assistance, we recommend that the Secretary of State work with all U.S. government entities involved in the delivery of foreign assistance." Although many of us recognize the need for foreign assistance reform here in Congress, it strikes me that the Administration has yet to present its comprehensive foreign assistance strategy.

Several of the GAO recommendations are based upon the assumption that the current Administration will continue the foreign assistance reform efforts as laid out in the 2006 announcement of the State/F organizational reforms. Mr. Beckmann, do you believe that the current Administration should continue to carry out the State/F reform process?

Answer. Given the appointment of Jack Lew as Deputy Secretary of State for Management and Resources, and the need to reestablish the USAID Administrator as the key development policy advisor in the U.S. Government with direct reporting to the Secretary of State, the position of Director of Foreign Assistance should be eliminated. The F Bureau's staff and responsibilities should be split appropriately between the Office of the Deputy Secretary and USAID.

Creating a strong development agency requires restoring responsibility for overall development policy strategy and authority to an empowered USAID. In particular, development assistance strategies, sectoral strategies and country strategies should be under USAID's authority. The policy function (formerly PPC) currently resident in the F Bureau should be transferred back to USAID to facilitate long-term thinking and planning on development policy, and USAID should regain the capacity to design its programs in-house. Recently introduced legislation—the Foreign Assistance Revitalization and Accountability Act of 2009 (S.1524) sponsored by Senators Kerry, Lugar, Menendez, Corker, Cardin, and Risch—would do just that by reestablishing the Bureau for Policy and Strategic Planning at USAID. I hope you will join them in supporting this important bill.

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RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD  
BY SENATOR CASEY TO JEFFERY SACHS

*Foreign Assistance & External Contributions*

*Question.* According to the Organization for Cooperation and Development, private aid accounts for approximately 65% of the total flow of foreign assistance from the United States to developing nations. Private aid includes contributions from corporations and non-governmental organizations. This influx of resources from private U.S. entities, coupled with the large number of international organizations working in the same countries, means whatever reforms are instituted that the United States government should account for these other actors.

Dr. Sachs, as the Senate continues to debate foreign aid reform, what recommendations would you give for adapting how the U.S. government provides foreign assistance to include the work done by these external entities?

Last September, many donors who give aid to developing countries launched the International Aid Transparency Initiative—an effort through which donors commit

to work together to make comprehensive and timely information on aid flows publicly available. Do you agree that clear and publicly available information on U.S. spending would be a useful tool—both for Congressional oversight and planning at USAID? Would you recommend that the U.S. join the International Aid Transparency Initiative?

Answer. Official development assistance accounts from around 0.20 percent of U.S. GNP, and according to best recent estimates, private development aid accounts for perhaps 0.08 percent of GNP. Of course, it depends what is counted. Some researchers and institutions try to count remittance flows as “private aid,” but I certainly do not regard remittances as “aid.” Remittance income is the hard-earned money of individual families. In-kind contributions of pharmaceutical companies are also counted as private aid, but probably at quite inflated levels (by recording the wholesale drug prices of donated medicines rather than their true costs of production).

Note that official development aid address large-scale societal needs—such as the control of AIDS and malaria or the construction of roads and power systems—much more readily than private flows, which tend to be for much smaller and disjointed projects, for instance community-based projects for an individual school or clinic. There is definitely a need for both public and private flows. Both the public and private flows are far below what they should be given the need and size of our economy. The international target (to which the U.S. subscribed in the 2002 Monterrey Consensus) is 0.7 percent of GNP in official aid. Private aid should be on the order of 0.2 percent of GNP.

USAID should be able to do a much better job of partnering with private flows to help direct the private flows to more effective uses (and vice versa, since private flows can sometimes help to re-channel official aid as well). Many of America’s leading companies are eager to play a larger societal role in development, in partnership with the USG. With more effective USAID strategies and public-private partnerships, more private flows could be raised and could be far more effective in their developmental impact.

The main “scorekeeper” for aid flows is the OECD’s Development Assistance Committee (DAC). We ought to strengthen the DAC’s mandate and capacity to produce authoritative aid data for all donor countries. Within a DAC-led process, the IATI can be a useful initiative.

