

**TESTIMONY OF LEO HINDERY, JR., ON FOREIGN ASSISTANCE REFORM  
BEFORE THE SENATE COMMITTEE ON HOMELAND SECURITY AND  
GOVERNMENTAL AFFAIRS SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT  
MANAGEMENT, THE FEDERAL WORKFORCE AND THE DISTRICT OF  
COLUMBIA, JULY 31, 2008**

Mister Chairman, Mr. Ranking Member, and other Subcommittee members, I am Leo Hindery and I was the Vice Chair of the HELP Commission, which was created by Congress in 2005 to reflect on how best to reform the tools of development assistance. It is an honor for me to appear before you today to testify on foreign assistance reform.

I along with two other HELP Commission Members – Jeffrey D. Sachs and Gayle D. Smith – prepared a Minority Commission Report entitled “Revamping U.S. Foreign Assistance”, and I ask that you place that entire Minority Report into the record. Today, I want to discuss our five significant conclusions which are relevant to this Hearing.

Even though the principle has been part of U.S. foreign policy doctrine for sixty years, our first conclusion was that the United States must continue to promote development assistance as a core pillar of national security and American moral values, since this principle is no longer universally embraced. The 2006 National Security Strategy of the United States explained well the rationale and imperative of development assistance when it said that: “America’s national interests and moral values drive us in the same direction: to assist the world’s poorest citizens and least developed nations and help integrate them into the global economy...Development reinforces diplomacy and defense, reducing long-term threats to our national security by helping to build stable, prosperous, and peaceful societies.”<sup>1</sup>

Our second conclusion, and an extremely important one, was that the U.S. should immediately establish a new separate Cabinet-level “Department for International Sustainable Development”. This new Department would house USAID, PEPFAR, the President’s Malaria Initiative, and Millennium Challenge Corporation, plus all new emerging initiatives such as in climate change.

The case for a separate Department rests on the five principles:

- The need, as I mentioned, to upgrade U.S. development assistance as a pillar of U.S. national security;
- The need to improve U.S. Government management and expertise in public health, climate change, agronomy, demography, environmental engineering, and economic development;
- The need to work effectively with similar cabinet-level departments and ministries in partner countries;
- The need to de-politicize development assistance, so that it can be directed at the long-term investments that are critical in the fight against poverty, hunger, disease and deprivation; and
- The need for coherence of U.S. policies which impact international sustainable development.

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<sup>1</sup> The United States National Security Strategy 2006, pp. 32-33. Available online at: <http://www.whitehouse.gov/nsc/nss/2006/index.html>.

The current system in which USAID is a part of the Department of State is, simply stated, failing. U.S. aid is excessively politicized by connecting aid with short-term foreign policy exigencies and domestic policies, and until the status of sustainable development within the Government is improved, the U.S. Government will also be unable to attract the best experts in the development fields.

The shift in the United Kingdom in 1997 from having a sub-cabinet development agency to having a cabinet-level department called DfID has dramatically increased the standing, reputation and expertise of the United Kingdom in the area of international development. Consequently, DfID is far ahead of USAID as a global thought-leader in development policy, and relatively more successful.

The new Department which we propose would have four specific tasks in its start-up years in addition to its development challenges:

- First, re-focus aid efforts. It would bring together countless aid programs now strewn in a disconnected way across the U.S. Government. It would fix the procurement and contracting systems, widely regarded to be broken. And it would promote results-based aid delivery with monitoring, accountability and audits.
- Second, leverage civil society and the private sector. It would promote partnerships with civil society and the private sector. Businesses especially would be encouraged to utilize their technologies (in sectors such as health, agriculture, energy, logistics, and finance in partnerships with the U.S. Government and multilateral agencies).
- Third, focus on fragile states. It would pay special attention to *fragile states*, including the extreme poor, environmentally threatened regions, and post-conflict environments where development aid can make the difference between economic growth and stability, on the one hand, and state collapse and violence, on the other.
- Fourth, integrate all development tools. It would be charged with harmonizing the range of development instruments, including development assistance, macroeconomic support (such as debt cancellation), trade policies (such as the African Growth and Opportunity Act), transparency initiatives (such as the Extractive Industries Transparency Initiative), and other tools of diplomacy and development.

The United States and the other developed countries have long recognized that the development financing burden and support for economic development in the poorest countries must be a shared global effort, based on mutually agreed targets. Thus our third conclusion was that the U.S. should make concrete efforts to follow through on the commitment which it and twenty-one other major donor countries made in the Millennium Declaration of 2000 to having their respective Office Development Assistance (ODA) be 0.70 percent of GNP, which would put the world on a pathway to achieve the end of extreme poverty by the year 2025.<sup>2</sup> However, despite our nation's public commitment to the 0.70 percent figure, which has been re-confirmed by every nation at each G8 Summit since 2000, U.S. ODA in FY 2007 constituted just 0.16% of national income. As the European Union already has, the United States should aim to reach 0.50 percent of GNP by the year 2010 and 0.70 percent by the year 2015.

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<sup>2</sup> Based on the work of the UN Millennium Project and WHO Commission on Macroeconomics and Health, and consistent with the findings of the 2005 Africa Commission of the U.K. Government.

It should be noted that while some Americans believe that the current low level of U.S. ODA is offset by a uniquely high level of U.S. private aid as a share of GNP, this is simply not the case, and this perception should not be used to obviate our commitment. U.S. total giving as a share of GNP, *even including private aid*, remains near the bottom of the donor rankings, with a combined share of still only around 0.23 percent.<sup>3</sup>

Our fourth conclusion was that U.S. political leaders should explain to the American people both the substantial overall progress in economic development and the international development commitments that have been made, in order for the American people to want to continue funding our fair share of foreign assistance.

In the broadest terms, the efforts to promote economic development around the whole world during the past fifty years have actually been highly successful, and the biggest development successes have come in Asia, but other successes are also part of the recent history of Latin America, the Middle East and North Africa. The biggest challenges are now concentrated only in a much smaller part of the world, especially large parts of sub-Saharan Africa and some parts of Asia where there are the highest disease burdens, the poorest infrastructure, the greatest vulnerability to droughts and other hazards, and the least access to the sea.

It should be further noted that while Americans broadly support effective and large-scale development assistance, they grossly overestimate the actual amount of aid given by the U.S. overall and to Africa specifically. Americans consistently perceive that U.S. foreign assistance spending is around 20 percent of the federal budget, which they would like to be around 10 percent. However, since our actual assistance figure is only around 1 percent of our budget, we are in the paradoxical situation where the public would like to “cut” aid from an imagined 20 percent of the budget to “only” 10 percent, even though the 10 percent figure would actually be a tenfold increase over the real level of aid.

Our fifth conclusion had to with (1) what works and doesn’t work with ODA and (2) modernizing U.S. development assistance in the 21st century, all of which is particularly germane to this Subcommittee’s strong interest in organizational process.

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<sup>3</sup> In 2004-5, 0.23 percent of GNP (i.e., 0.17 official plus 0.06 private). The Hudson Institute identifies much larger estimates of private giving in its Index of Global Philanthropy, specifically around \$30 billion per year, broken down as follows: Private Voluntary Organizations (PVOs), \$13.4 billion; faith-based groups, \$5.4 billion; universities and colleges, \$4.6 billion, U.S. foundations, \$2.2 billion, and American corporations, \$5.1 billion. However, there is strong reason to believe that these estimates do not reflect true development assistance. With regard to the PVO estimate, for example, while it attempts to cover international projects, it does not distinguish between development-oriented activities and other activities. In turn, the estimate of development aid from faith-based groups is without explanation of the development activities covered or of the services delivered by religious groups. The estimate for university giving is based on purported values of scholarships to foreign students in the U.S. from developing countries regardless of country of origin or personal means – yet notably, only 6 percent of the students are from the poorest continent, Africa. Finally, the estimate of corporate giving is dominated by a non-credible estimate of \$4.2 billion of in-kind donations by U.S. pharmaceutical companies, with no verification that the stated values of the donated products are not simply the patent-protected market prices in the U.S., even though, through generics producers, they may be available to recipient countries at a small fraction of the patent prices.

The discussion on aid effectiveness is often clouded by confusions, prejudices and simple misunderstandings. Many studies try to find a correlation between overall aid and economic growth, and when they find little positive correlation, they declare aid to be a failure. Yet the low correlation does not prove that aid is failing, since much of the aid is directed to countries in violence, famine or deep economic crisis. It is not a surprise, therefore, that aid is often correlated with “economic failure,” not because aid has *caused* the failure but rather because aid has *responded* to failure.

We need a much more sophisticated approach than standard simple correlations to judge the effectiveness of aid. We need to assess the objectives of specific aid programs and whether these objectives are fulfilled. Did the food aid stop starvation? Did immunizations save lives or eradicate diseases? Did infrastructure spending on roads and ports help to generate new employment in new industries? Did aid for schooling raise enrolments, completion rates, and literacy? Did farm aid increase the productivity of farms?

Another massive confusion in the public debate is the sense that vast amounts have been spent and that no development has resulted. This view is doubly incorrect. On the one hand, aid has *not* been vast, at least in comparison with national incomes, the population of recipient countries, and spending on other areas of concern (e.g., defense). This is especially the case regarding Africa, a region that is regularly maligned for alleged mismanagement of aid yet regularly neglected in actual aid flows. On the other hand, in most parts of the world there have been vast development successes, with stunning increases in average incomes, life expectancy, child survival, literacy, school completion rates, and other gains.

Yet another confusion results from the fact that we regularly overload our development assistance by trying to accomplish too many things, especially things not well suited for development aid. It is notable, for example, that one-third of US development aid is currently directed to “strategic nations,” especially in the Middle East, rather than to the world’s poorest nations. We often use our aid to buy allies, to directly or indirectly finance the war on terror, to create peace between Israel and Palestine, to fight drug trafficking in the Andes and Afghanistan, and more.

There are six keys to success in development:

- First, interventions should be based on powerful, low-cost technologies. The main underlying force of economic development is technological advance. It is not surprising, therefore, that successful development assistance typically involves the diffusion of a powerful technology, such as high-yield seeds, immunizations, modern contraception, or Internet connectivity.
- Second, interventions should be relatively easy to deliver and based on expert-systems and local ownership. Modern technologies are embodied in systems. Vaccinations, for example, are delivered on specific timetables for young children, while high-yielding seeds are deployed in specific packages of farm inputs (e.g., combinations of seed, fertilizer, irrigation and agricultural extension). The key to success is to deploy the technology in a system that is evidence based, scientifically sound, administratively feasible, and tailored to local conditions.
- Third, interventions should be applied at the scale needed to solve the underlying problems. The key to success is not the demonstration of the underlying technology, but rather the deployment of the technology at a scale to make a difference. Typically, once the technology is known and the expert

system has been identified, rapid scale up is possible, building on global strategies and local adaptation and support.

- Fourth, interventions should be reliably funded. Budget outlays should be over a sufficient period of years so that participating countries can be confident of sustained financing, and therefore can build institutional systems and provide training and capacity building.
- Fifth, interventions should be multilateral and draw support from many governments and international agencies. The greatest development challenges – extreme poverty, hunger, disease and lack of infrastructure – are beyond the financing capacity of any single donor country. Moreover, a unified effort is more efficient than a congeries of small and disparate projects.
- Sixth, interventions should have specific objectives and strategies so that success rates can be assessed. Development assistance programs should have clear objectives (e.g., coverage rates of immunizations, hectares planted with high-yield seeds, timely isolation of smallpox outbreaks, etc.), and they should not directly aim for excessively broad and overarching goals such as “democracy” or “the end of terror”, even though broad goals such as these can appropriately be among the direct and indirect motivations for the interventions. But only with specific objectives can there be measurements, auditing, evaluations and re-assessments as needed.

Finally, the U.S. development assistance effort must be updated to the conditions of the early years of the 21st century. This means that the development goals must be made clear and appropriate, the technologies must be identified, and the systems for delivery must be assessed:

- Goals. The priorities for U.S. development assistance should be based mainly on the development commitments that the U.S. and the rest of the world have made in recent years after considerable diplomatic and scientific discussions and negotiations. At the core of the effort should be the Millennium Development Goals (MDGs). These goals are already the central organizing tool for most development agencies and multilateral development institutions around the world. The MDGs have the profound advantage not only of specifying explicit and quantitative targets, but also of automatically aligning U.S. efforts with those of partner countries, thereby massively leveraging American resources and expertise.

The focus of the development challenge is in those regions still trapped in extreme poverty, or those places suffering extremely high burdens of hunger, disease, or lack of infrastructure. This means that U.S. efforts should be mainly directed towards sub-Saharan Africa, Central Asia, the Andean region, Haiti and the remaining pockets of extreme poverty in South Asia. Development aid for middle-income countries should be scaled back accordingly, since these regions can generally finance their own investment needs.

- Technologies. For each of the MDGs, there are a set of core interventions, based on proven low-cost technologies, which can spur rapid advances toward the MDGs. The UN Millennium Project among other studies has identified the powerful tools at our disposal in each of the key areas. While much can be said about each area, the following highlights can be noted.

- *Income poverty*: microfinance; electricity generation (off-grid and on-grid); all-weather roads; access to cell phones and the Internet; and improved population health.
- *Hunger*: improved food production through the extension of “Green Revolution” technologies (high-yield seeds, fertilizer, small-scale irrigation, agricultural extension services); micronutrient supplementation for Vitamin A, iodine, zinc, and iron; monitoring of low-weight children; and school feeding programs with take-home rations for pre-school-aged children.
- *Universal school completion*: construction of schools; training of teachers; wireless Internet connectivity for (solar-charged) computers at schools; separate hygienic facilities for girls and boys; and mid-day feeding programs.
- *Gender equality*: time-saving infrastructure for rural women (water, power, mills, and clinics, within reach of villages); micro-finance for women’s groups; and improved inheritance and property rights.
- *Reduced maternal mortality*: emergency obstetrical theatres in all sub-district hospitals; training of assistant medical officers to perform emergency procedures; and use of wireless phone systems to create emergency-response units for ambulance services.
- *Reduced child mortality*: integrated management of childhood illnesses including diarrhea, malaria, acute lower respiratory infection (ALRI), vaccine-preventable diseases, parasitic infections (worms), and micronutrient deficiencies; expert systems for neonatal care; and increased use of community health workers supported by mobile phone and Internet connectivity.
- *Control of AIDS, TB, and Malaria*: packages of preventative and curative health services (e.g., access to medicines and universal protection by insecticide-treated bed nets in the case of malaria).
- *Universal access to family planning and contraceptive services*: logistics and supply chain management for contraceptive availability; community-worker outreach to ensure access to family planning service; and contraception on a voluntary basis.
- *Safe drinking water and sanitation*: application of modern hydrological tools to identify sustainable water sources based on seasonal and annual runoff; rainwater harvesting, sustainable use of groundwater, and improved year-round water storage; investments in sanitation systems including septic tanks and recycling of human and animal wastes in rural areas; and piped wastewater treatment in urban areas.
- Delivery Systems. Much is made of the difficulty of delivering technologies to the poor, with perceived high risks of corruption, mismanagement and other delivery failures. Yet such fears have been shown time and again to be misplaced as long as the aid is practical, subject to monitoring, adapted to local circumstances, endorsed by local communities, and embedded in a sensible delivery system with audits and evaluation. In recent years, enormous successes have been achieved in the mass distribution of anti-malaria bed nets, the mass scale-up of new vaccines, the mass treatment of children for worm infections, the mass increase in primary-school enrolments and completion rates by eliminating school fees, and the mass access of farmers to high-yield inputs through voucher systems. In all of these cases, success has resulted from transparency, specificity, accountability and auditing of delivery systems.

Thank you for this opportunity.