

AS DELIVERED

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**“The Advisory Committee on Voluntary Foreign Aid:
A Key Advocate for Sustainable Poverty Reduction”**

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Thank you, John (Sullivan of the Center for International Private Enterprise), for that warm welcome, and I appreciate your service as the new chairman of the Advisory Committee on Voluntary Foreign Aid.

Your experience, your credibility, and your advocacy will be key to our efforts this year.

The last time ACVFA held a public meeting, as many of you know, foreign assistance reform was discussed at length.

Appropriately, it was a two way discussion—a dialogue—that has continued over the past few months and is, in my view, essential to the success of foreign assistance reform.

While I was not able to join you personally in October meeting, you should know that I did receive your feedback from that meeting, captured in the following three points.

First, you raised concerns about a perceived increased politicization of aid—the worry that hot diplomatic issues might override longer-term development issues;

Second, you expressed a need to understand how the reform will address cross-cutting and regional issues; and

Third, you expressed a need for more communication and structured opportunities for host-countries and the PVO community to weigh in to the reform process.

We have attempted to address these concerns in the recent release of the budget, the collection of Operational Plans and our continued communication with the NGO community.

First, within the budget, I hope you will see that long-term development is very much the focus of our foreign assistance allocations.

On each country page and in the regional sections of the some 800 pages of the Congressional Budget Justification we identify the obstacles and opportunities to progress and later discuss the funding that will go to overcoming the obstacles and taking advantage of the opportunities.

Further, in this year's budget you will note a 20% increase in funds to low and lower-middle income countries in the Rebuilding, Developing and Transforming country categories.

In addition, you will see that the focus of our funds for the objectives of Governing Justly and Democratically, Investing in People and Economic Growth—those objectives that are often identified as interventions directed at reducing poverty—have increased from having been 51% of the budget in Fiscal Year 2006 to 57% of the budget in Fiscal Year 2008.

In short, sustainably addressing the needs of the poor are very much at the heart of this year's budget.

We have also identified where we believe funds are aimed at addressing regional and cross-cutting objectives. Something that is very important to our approach.

Second, since October, I hope that you have received clear signals that my staff and I are listening to your very useful input.

Your input helped drive the decision to change the top line transformational diplomacy goal to now read, "To help build and sustain democratic, well-governed states that respond to the needs of their people, *reduce widespread poverty* and conduct themselves responsibly in the international system."

Your input also helped us formulate our first consolidated list of State and USAID indicators.

I hope you will continue to provide input regarding the value these indicators add to measuring progress through the email address we have set up (Findicators@state.gov) to collect input in a more systematic fashion.

Finally, we have heard you regarding the need for more regularized opportunities to provide input into the reform process.

To this end we have set up monthly public sessions, organized by InterAction, on topics of particular relevance regarding the reform.

In addition, I intend to set up opportunities for more regular interaction with members of this Committee.

I had lunch with the board members today, and I'm pleased to announce that the Committee has agreed to set up working groups within the Committee to solicit feedback on the range of initiatives underway.

As ACVFA fleshes out the details of these working groups, I hope that all of you will consider participating.

The last time ACVFA met, we were in the middle of putting together a first-ever integrated foreign assistance budget request to the Congress.

As you know, a little over two weeks ago, President Bush delivered that budget to the Congress.

I know Dirk Dijkerman and Jim Painter from my office had the opportunity to brief you on the budget this morning, so rather than going into the details, I'd like us to step back for just a moment and take a look at the bigger picture.

On the day President Bush submitted our request, I had the opportunity to talk about foreign assistance reform in an address that some of you may have attended at the Center for Strategic and International Studies.

My message was there was a simple one — "We are in this together."

It's a message that bears repeating here, because ACVFA is very much a part of that "We."

Those of us in this room *must* have one united front if we are to be successful in combating poverty.

One united front to undermine the forces that create poverty.

One united front to break the cycles that sustain poverty.

The time is ripe for a New Deal for poverty reduction.

We are seeing unprecedented attention being given to foreign assistance and poverty right now.

And we are seeing—around the world—the undeniable positive contribution that foreign assistance makes to national security.

On Capitol Hill, more and more Members are realizing the profound and complex interconnectivity of our world and are correspondingly funding foreign assistance at unprecedented levels.

Nothing illustrates this better than the Fiscal Year 2007 Continuing Resolution that President Bush signed into law last week—which prioritized HIV/AIDS relief, malaria, and assistance to Darfur in a politically challenging fiscal environment.

And we have made great progress. I'm not sure enough people appreciate that United States Government Official Development Assistance has nearly tripled over the past 5 years from approximately \$10 billion in 2000 to \$28.5 billion in 2005.

Yet after years of effort and billions of dollars of assistance, we still see some countries in the same position they were in 40 years ago—or in some cases worse.

So what is impeding progress and where have we seen progress?

More or less across the board, those people working for the United States Government in leadership positions with whom I have met in the last few months—which include 120 of 173 U.S. Ambassadors and 65 of 80 USAID Mission Directors—point to the fragmentation of foreign assistance; the inability, as a result of changing priorities driven by multiple actors, to implement a strategy that focuses resources, with predictability, on the real critical barriers to progress.

Without predictability, they cannot form meaningful partnerships with their host government counterparts, other donors, or their partners on the ground.

They cannot make sustained commitments to what will truly address the root causes of poverty in the countries where they are working.

The first factor contributing to this unpredictability is a failure in the executive branch to put systems in place that allow for a demand-driven, collaborative process for allocating funds to *shared goals*—let alone the right shared goals.

The second factor leading to unpredictability is sector-driven allocations—flavors of funding that do not always match the most compelling needs in that country.

For example, maybe a country needs basic education money, but could only get family planning money.

So year after year, those in the field patch together a program that indeed alleviates some suffering, but tends to yields “patches of green” rather than flowing interconnected “pastures of green” that can really lead to sustainability.

There is no one group, organization, agency, or administration to point to for the lack of a coordinated system of foreign assistance.

All sides are trying to work within the balance of power to do what's right.

But we can and we must do better.

And regardless of what country or sector you work in, there are three ideas that I believe we can and should come together to support.

The first is a focus on individual country progress.

The explicit intent of the transformational diplomacy goal is to *move countries from a relationship defined by dependence on traditional foreign assistance to a relationship that is defined by full sustaining partnership status.*

In past budget years, when we've chosen to give X dollars to a sector, we have based this decision on what it means for *us*, rather than what it does for *them*.

This year, we made foreign assistance planning and budgeting country-focused from the very beginning.

We brought together teams of experts from USAID and State in Washington, with consultation with their field counterparts, and we gave them an overall target budget number for each country.

Not by account, not by sector; just a total budget number for foreign assistance that may be made available from the United States Government for that country.

And we asked them to allocate that budget to the areas that would best advance individual country progress.

It's a matter of what should drive the country's development program—country-prioritized need or a set global amount for a particular sector.

As we help countries advance their development, we must focus our resources.

That's the second notion I believe all of us in this room can rally around—we must focus resources on the interventions that will make the most sustainable impact.

If we continue to pursue a thousand agendas in our foreign assistance programs, our impact will be diluted and diffuse.

It is important to note, as I often do, that there is very little that we have been doing out there that anyone would characterize as bad.

Someone, some community, is benefiting from the services we are providing, the interventions we are supporting. But that is not the point.

The real question is, are we achieving *sustainable* impact? *Are we helping societies gather the tools they need to sustain further progress on their own?*

Based on the new country-driven process, we have prioritized resources in the areas that we believe will promote and sustain long-term country progress.

All of this is a result of a demand-driven process that asked experts to prioritize limited resources on the basis of the most significant levers that will achieve country progress—and to focus our resources so we can achieve real impact.

Third, we need to fight for every penny of the foreign assistance budget.

As you all well know, right now we are in a climate of budget fiscal restraint.

For too many, foreign assistance is a politically uncostly target for cutting the budget.

Many of us have in fact been told to expect a lower budget level.

The fact is that our ability to advance country progress and focus resources for sustainable impact will be severely hampered unless we get every penny requested in the Fiscal Year 2008 budget for foreign assistance.

With this in mind, we might be tempted to fight for what has for too long been referred to as “traditional development assistance.”

But I ask you to consider what *is* “traditional development assistance?”

And is that a term that we really want to use to describe when what we are trying to achieve is country progress?

Tradition implies ritual, custom, habit, or convention. Is that how we want foreign assistance to be considered?

I would argue that we need progressive development assistance.

Every penny helps countries progress.

Democracy programs that help build the institutions and accountability for health service delivery are every bit as integral to sustainable development as the service delivery itself.

The U.S. Government cannot continue to provide funds for service delivery at the expense of the institutional capacity-building that will enable that service delivery to be sustained.

We need to rid ourselves of that tradition if we are to convince the American people and the Congress that they should support foreign assistance.

If we are to have this budget request fully met, then each one of us here today, and all of your friends, and your friends' friends, will need to understand the importance of protecting the entire foreign assistance budget.

If there is a leak in the foreign assistance boat, just because it is not in your end of the boat, does not mean the boat will not sink.

I hope that you will take it upon yourselves to keep the entire boat leak-free because we need all the resources we have asked for.

Congress needs to hear your voices in support of the entire request.

I certainly understand that many of you here today will advocate for the issues your organization considers a priority. I indeed encourage that.

But when you do, I hope the first sentence that comes from you during your efforts will be, "I support the full request for foreign operations."

With that, I am happy to take your questions.