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**Testimony of Ambassador Randall L. Tobias
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FY 2007 Budget Hearing for USAID
House Appropriations Committee
Subcommittee on Foreign Operations, Export Financing and Related Programs
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Thank you, Mr. Chairman, for the opportunity to testify before the Subcommittee today on the fiscal year 2007 budget for the U.S. Agency for International Development. I appreciate this opportunity to share what I hope we can achieve together through the fiscal year 2007 budget process.

Mr. Chairman, at the outset, I want to express my appreciation, both to you and Mrs. Lowey, for your guidance and support in my former role as U.S. Global AIDS Coordinator. I admire your commitment to improving the sustainability of our foreign assistance efforts through your focus on trade and economic development as well as your focus on the efficiency and effectiveness of our management practices. And, Congresswoman Lowey, your dedication to improving basic education has helped improve the lives of young people, especially girls, across the globe, as you know, an interest that I share.

Now, as we embark on addressing together a broader set of issues, I look forward to working with you both, and with the other Members of the Subcommittee, in my new capacity as Administrator of USAID and Director of U.S. Foreign Assistance.

My first few weeks as USAID Administrator have reinforced my belief that the men and women of the Agency are motivated by a true sense of mission and commitment. I am anxious to do all that I can to sustain their dedication and to help them realize their vision of a free and prosperous future for all – a vision that reflects the values of the American people. In doing so, I want to begin by ensuring that they have the tools that are necessary to get that job done.

I recognize that my testimony this morning will be somewhat different from normal budget testimony. Nonetheless, I would like to take advantage of the opportunity you've given me to share with you today our intended direction for foreign assistance for FY2007, and to begin a dialogue with you on issues that I believe we need to address. In doing so, I want to also be responsive to questions many of you have patiently asked over the past few months.

Speaking in 2002, the President was blunt in his call for reform of foreign assistance.

Decades of massive development assistance have failed to spur economic growth in the poorest countries. Worse, development aid has often served to prop up failed policies, relieving the pressure for reform and perpetuating misery. Results of aid are typically measured in dollars spent by donors, not in the rates of growth and poverty reduction achieved by recipients. These are the indicators of a failed strategy.

The President was equally adamant in stressing that a continuation of these failed strategies can no longer be tolerated in the post-9/11 world. Development must engender fundamental changes in governance and institutions, human capacity and economic structure so that countries can sustain further economic and social progress on their own. This includes laying the groundwork for economic growth, which undergirds democracy as it expands individual opportunity.

On multiple occasions, Members of Congress have called for a more strategic approach to foreign assistance – one that lays out how U.S. government funds are being invested in each country, not isolated by implementing agency, but as one U.S. government effort.

In discussing what I believe we need to do, I want to begin this morning by discussing four elements of foreign aid reform:

- first, the need to reform now
- second, the problem we aim to address
- third, how we can and will do better
- and, finally, the outcomes you can expect from these reforms.

Strategic vision: Why reform now?

First, why reform now? We are entering a new era of foreign assistance. In announcing her Transformational Diplomacy and Development initiative, Secretary Rice noted that both the content and organization of foreign assistance require adjustment to meet the challenges of today's world.

The world has changed and we must make adjustments to recognize that change. As we all recognize, globalization has drastically reduced the barriers to communication with our international neighbors, allowing ideas, goods, and people to travel across borders at speeds unknown just a decade ago. The ease of proximity makes our security vulnerable to previously unheeded enemies. The locus of national security threats has shifted to the developing world, where poverty, oppression, injustice and indifference are exploited by our foes to provide haven for criminals and the planning of criminal acts. Foreign assistance is an effective tool for countering these new threats, and thus has become a foundational pillar of our new national security architecture.

It is under this new security environment that President Bush first introduced transformational development as a new paradigm for foreign assistance. He called on foreign assistance to “reward good performers” – governments that govern justly, invest in people, and create opportunities for economic growth.

In further recognition of the importance of development to our national security, the President has requested, and Congress has supported, a near doubling of funding for foreign assistance since the previous Administration – to over \$20 billion in 2006. I believe, as you do, that American taxpayers deserve the maximum return on their increased investment. To realize this, we must reorganize our approach to foreign assistance.

What is the problem with how foreign assistance is organized now?

Our current approach to foreign assistance planning and budgeting is fragmented across multiple departments and agencies, duplicative, and difficult to track. The result is poor accountability and a lack of focus – all matters that dilute our impact.

Under the current USAID and State organizational structure, each entity maintains independent budgeting and planning offices to focus on their own part of foreign assistance. This requires two staffs to develop multiple and parallel iterations of their individual budgets in the same subject areas, two staffs to agree to and integrate a set of numbers, two staffs to brief the Hill, and a myriad of programs that may be redundant – or worse, working at cross purposes. While each agency collaborates with the other, and in spite of the best efforts of the people involved, it is done at enormous cost in terms of time, personnel, and impact.

Of great concern to me – and I know to many of you – is the difficulty in tracking our budgeting process. As you know from your experience in working with me on the President’s Emergency Plan for AIDS Relief, I have placed a great deal of emphasis on knowing exactly who was receiving our funds, what they were doing with the money, what was expected as a result, and how that result would help us reach our goals. I know it will not be easy, but I want to assure you that it is my intent to bring that same level of transparency and accountability to the rest of our foreign assistance resources.

I realize that as I outline the challenges we face, I do not need to convince you this morning of what we need to do. Congress has consistently called for improved transparency in the way budgets are put together and funds expended – and vastly improved accountability for the results. I simply want to emphasize that I, too, am focused on that issue, and that I look forward to working with you in achieving our joint goal.

Our approach: We will do better

In announcing her intent to address these problems, Secretary Rice echoed the concerns of Congress. In summarizing, she said, “The current structure of America's foreign assistance risks incoherent policies and ineffective programs and perhaps even wasted resources. We can do better and we must do better.”

Let me take the Secretary’s statement one step further: we will do better. And this morning, I want to explain how I intend to proceed in approaching our processes differently, with the overall goals of:

- Aligning our resources with the transformational development goals, and
- Improving our efficiency, effectiveness and accountability in the use of those resources.

At 20,000 feet

Let me begin by giving you what could perhaps be characterized as the view from 20,000 feet.

With Congressional input, over the next few weeks we will introduce a new Strategic Framework for foreign assistance appropriated to both the Department of State and USAID. It will establish overarching objectives for U.S. foreign assistance, based on our intent to achieve peace and security; improve governance and democratic participation; promote investments in

people; and engender economic growth. The framework will also establish a progressive set of goals and indicators for recipients of foreign assistance, cognizant of country characteristics. It will strategically link transformational development objectives with appropriated funding sources and activities.

On the country level, this Strategic Framework will serve as a “roadmap,” guiding programming such that it will help us achieve our goals. My intent is that we here in Washington – with input from Congress – will establish the goals toward which our foreign assistance will be directed and the measures by which we will track progress. Then, under the leadership of each of our Ambassadors, country teams in the field will define the activities for which funds will be used to help achieve those established goals.

With their expert knowledge of country circumstances, our staff in the field will produce integrated, coherent country operational plans that indicate, for each activity, the partner, the amount of money, the expected output, and ultimate outcome that will contribute to established goals. These plans will be reviewed in Washington for their consistency with shared goals and expectations, with funds allocated only after plans are approved. By requiring detailed and specific planning up-front, before FY2007 funds are appropriated, we hope to improve both the strategic direction of our programs and the speed of their implementation.

These are major changes in the planning, allocation, and programming of foreign assistance resources, with new and intensified responsibilities for both Washington and the field. Accordingly, we will have to roll out implementation in parts. It is my aim that by the beginning of January 2007, each country with a USAID Mission will have submitted an Operational Plan for expending FY2007 resources appropriated to USAID. In addition, we will fast-track about 35 countries to submit integrated FY2007 country operational plans that incorporate all U.S. foreign assistance allocated to those countries.

For FY2008, we will use the Strategic Framework as the basis for integrated budget planning for State and USAID foreign assistance resources, with the intent that for FY2008 and beyond, all countries in which foreign assistance funds are expended will submit fully integrated, fully coordinated Country Operational Plans that include all U.S. foreign assistance resources.

The new Foreign Assistance Framework and Operational Plans will improve accountability by allowing stakeholders, such as Congress, to track progress against invested funds across countries, programs and partners based on a defined set of goals and indicators.

The Framework and Operational Plans will improve foreign assistance effectiveness by reducing duplication among programs. With all U.S. government development institutions speaking and acting from the same page, recipients and implementers receive one message, are held consistently accountable for performance, and the impact of U.S. government aid is amplified.

The Framework and Operational Plans will improve efficiency by fully integrating at every stage the State and USAID planning processes. Sharing one set of goals will strengthen the link between policy, program planning, and results. Submitting one operational plan will identify and eliminate duplication and ensure that activities are mutually supportive and comprehensive.

I hope that this unified approach will help Members of Congress to perform their oversight responsibilities with greater ease.

At 1,000 feet

I believe the effectiveness of our strategy will improve dramatically when we better manage our personnel and operating expense resources here in Washington. The hodge-podge of personnel authorities, administrative fund sources, and management initiatives have aggregated into a system where the cost of doing business is, frankly, difficult to discern. We will begin to untangle this web in the months ahead.

In the immediate term, under Secretary Rice's reforms, I will integrate into one office, under my direction, staff from State and USAID performing foreign assistance strategic planning, budget planning, program planning, and results tracking. This will immediately streamline budgetary processes and reduce the burden that redundant functions place on our field staff.

Mr. Chairman, you have long been an advocate of setting the right incentives for efficient management at USAID. To this end, last year you requested in the House Report that the Agency implement a "Shadow Budget" in FY 2006 to go through a dry-run of decentralizing operating expenses to each of the offices in Washington with the intention of "going-live" with the decentralization in FY 2007.

I am pleased to report that in the past two weeks, I have taken steps to accelerate this process, and we will decentralize some USAID operating expenses in Washington over the next few months. We will do so worldwide in FY 2007. In doing so, Washington managers will be given better tools with which they can make informed decisions, and as a result, they will become more directly accountable for their office's operating expense budgets. They will be better able to assess the tradeoffs associated with hiring a new employee versus traveling versus investing in upgraded office equipment. By providing managers with the ability to make tradeoffs by using their resources more efficiently, I believe that our workforce will become more effective. We look forward to sharing the results of our progress with you and your staff over the next few months.

We have also heard Congress' repeated request that we account for administrative and program costs more transparently. We understand that transparent accounting of administrative expenses allows all stakeholders to understand the opportunity costs of budget decisions. One hundred days from today, we will lay out for you a comprehensive administrative costing of current foreign assistance programs at USAID along with a plan for controlling and accounting for these costs systematically.

Expectations over the next 100 days

I have laid out some key initial changes to improve accountability, efficiency and effectiveness in the new era of foreign assistance in FY 2007. And although this new era did not conveniently begin at the start of a new fiscal year, we will set up the new system to take effect in FY 2007 while continuing to fund programs with FY 2006 budget authority.

It is important for me to convey to you that while we wish this long-awaited alignment would happen immediately, some of these changes will take longer than others to bear fruit. But over the next 100 days, and beyond, we will consult with you on the Country-Level Framework and you will see change in the management of USAID administrative resources in the ways that I've outlined.

Beginning today, I also commit to improved responsiveness to Congressional inquiries and reporting requirements. USAID will provide you with answers to your informational requests within 48 hours and to formal letters within a week, or if that is not possible, we will be in touch with your offices within those timeframes to explain the reasons why, and to work with you to establish a reasonable schedule for getting the information to you. Along those same lines, I also commit to delivering Congressional reports on time to enable you to do your necessary oversight to make our programs stronger. I've already begun to look at a weekly status report of our progress in meeting these objectives, and will continue to do so until I'm confident we have a process and a culture in place that is responsive to your needs.

Conclusion

As articulated both by President Bush and by Secretary Rice, we are entering a new era of foreign assistance where our resources will be aligned with our strategic priorities. We will be more accountable to American taxpayers and use their resources more efficiently and effectively.

None of this will be easy. But in recognition of the fact that our future as Americans is inextricably linked to those we seek to assist, we must be certain that our investments are producing the greatest results at the lowest cost to the taxpayer. I look forward to working with Congress to achieve this aim.

Thank you very much, Mr. Chairman. I would be happy to answer any questions that you may have.