



INTERNATIONAL RESCUE COMMITTEE

January 23, 2008

**Testimony of George Rupp
President of the International Rescue Committee
Before the State and Foreign Operations Subcommittee
Committee of Appropriations**

Thank you very much, Madame Chairperson, for the invitation to speak today and for holding this hearing on the important subject of foreign aid reform. You are a great friend of the International Rescue Committee and, through your work on this subcommittee, a friend of the uprooted everywhere. Indeed, through your engagement and actions, members of this subcommittee save lives and help people all around the world.

The International Rescue Committee goes to war zones to rescue and then rebuild lives. Founded in 1933, the IRC is a global leader in emergency relief, rehabilitation, protection of human rights, post-conflict development, resettlement services and advocacy for refugees and others uprooted or affected by violent conflict and oppression. We bring the world's most vulnerable people "From Harm to Home."

In my capacity as President of the International Rescue Committee, I have wrestled with the question of foreign aid reform in several different fora:

- As a board member of Interaction, the coalition of American relief and development agencies;
- As an interested partner with other leading aid agencies in our ongoing examination of this set of issues;
- As a member of the Smart Power Commission recently convened by the Center for Strategic and International Studies (CSIS);

Every time I have visited IRC programs overseas, I have also weighed the pros and cons of how foreign aid is allocated and spent. Since joining the IRC five and a half years ago, after over 30 years as a university faculty member, dean, and president, I have visited virtually all of the thirty countries in which the IRC has been active, often multiple times, and I have met with thousands of IRC staff members and representatives from many partner organizations: foreign governments, UN agencies, State Department and USAID missions, other NGOs, and perhaps most critically our local community partners and beneficiaries.

I will confine my remarks today to reform of US foreign aid, but we should acknowledge that there are other ways to help developing countries. There are many actions that the government and private sector can take to help fight poverty and spur economic growth overseas. These include reaching fair trade agreements, reducing tariffs and unfair export

subsidies, greater private sector philanthropy, sending Peace Corps Volunteers and encouraging foreign students to attend American universities.

Before discussing ideas and options for reform, I ask that we consider what is wrong with the current way the US government organizes and administers our foreign aid programs:

For starters, it is a very confusing and bureaucratic undertaking. Lael Brainard has written a great deal on how fragmented the current system is. I will add a bit from the perspective of an operational organization. The work that we do with US aid agencies is very important, yet trying to steer through the many agencies and offices involved to serve as a partner of the US government is challenging.

Every agency has different protocols. We compete for RFPs, RFAs, IQCs, APSs – a whole alphabet soup of solicitations from several offices at the State Department, USAID, the Department of Health and Human Services, and the Department of Labor. Despite working in some of the most inhospitable and corrupt places on earth, we adhere to the highest standards of accountability and ensure US Government funds are used efficiently, effectively, and for the purposes they are awarded.

Since 9/11, there has been an understandable emphasis on anti-terrorism measures. IRC takes its responsibilities in this regard seriously and has implemented procedures to ensure that it does not support terrorist activities. We did, however, join with other NGOs in protesting USAID's recent proposal to compile an anti-terrorism database of files on our staff and board members. Keeping such files on Tom Brokaw or Tom Lantos is not a good use of our time and resources or USAID's. A requirement that IRC collect data for such purposes will likely put our field staff at even greater risk than they currently face in volatile parts of the world.

Post-9/11 anti-terrorism legislation amended the grounds for inadmissibility under our immigration laws. The legislation created what is generally known as the "material support" bar to admission and has unintentionally kept legitimate refugees from being resettled in the U.S. or granted asylum. The FY 2008 Omnibus Appropriations Act includes a provision that will remedy this problem for many vulnerable refugees – but only if the Administration acts quickly to implement it. I hope this committee will work to ensure that congressional intent is not thwarted and that the State Department and Department of Homeland Security appropriately interpret and apply this critical legislative remedy.

The introduction of foreign aid reform – the "F process" – at the State Department has so far added to the complexity of the aid process. New procedures put in place forced USAID missions to review and revise their programmatic objectives and produce new operating plans in an unreasonably short timeframe. The result has been significant delays in the release of grant solicitations.

Not surprisingly, some of our partners at USAID were demoralized by these changes because they view the "dual hatting" of the Administrator of USAID and the Director of Foreign Assistance as equivalent to the dismantling of USAID. Many long-time USAID staff members now have been absorbed into the State Department.

Certainly the reforms were rolled out in a manner that shut out any real dialogue with all of you on the Hill and also with NGO partners in the beginning of the reform effort. Later efforts at

outreach really came across as too little too late. The new Director of Foreign Assistance, Henrietta Holesman Fore, has been reaching out but faces the massive challenges resulting from the ill-thought-through launch of this process.

There continues to be a trend or preference for using for-profit contractors, rather than not-for-profits, even though we run much more cost-effective programs, help raise money to cover some of the costs of our projects, know the communities and cultures in which we work, and are committed to staying as long as required to do the job.

The size of USAID's workforce has eroded. It was downsized by 37% during the 1990s, and many experienced aid officers are now retiring. I am told that the current attrition rate outpaces new hires by 2-to-1. About half of the current USAID Foreign Service officers are new to their jobs.

Stretched thin and often inexperienced, USAID staff chooses to manage a few large contracts, rather than a larger number of grants to non-governmental organizations. They bundle numerous programs into a single competitive solicitation – whether or not these pieces fit together. In places as disparate as Uganda and Nepal, we have seen USAID rely on contractors with little or no connection to the region instead of awarding grants to NGOs with extensive ties to local communities.

Also of great concern to me is that the Defense Department appears to be picking up the slack by seeking funding from Congress to run its own parallel aid programs. These programs are not being proposed because it makes sense to have Defense run them. Instead, the failure to provide adequate resources to civilian agencies is resulting in a shift of responsibilities to Defense.

As an American, I am bothered when the most creative thinking coming out of the Administration on what to do to help Africa is the decision to invest in Africom. While it makes sense to have a single command for this continent (instead of three separate commands), what does it say to African nations when a military approach is the highest profile way the United States chooses to engage with them? The US military is poised to take on a major new role in addressing the development needs of Africa. I do not believe that this is the best use of our armed forces.

I have traveled to some countries - such as Afghanistan, which I visited for the third time last spring - where large amounts of US government funding are being spent on security of American or expatriate personnel, where the military is attempting to run development programs, and where large infrastructure projects run by private contractors are taking a large profit off the top while farming out the real work to less-than-reliable subcontractors. At the same time, I have seen other areas – such as IRC programs for the uprooted in the horn of Africa – where programs are being downsized. When we point out the needs in such areas, we are told that nothing can be done because of budget constraints and bureaucratic hurdles.

At present, the IRC and our community are doing the utmost to bring attention to the ongoing humanitarian crises concerning Iraqi refugees and displaced in the Middle East. Administration efforts to date, however, have been woefully inadequate. In my view, what is missing is leadership.

The President has not sought enough money in his annual budgets to address these problems. Congress, to your credit, tries to provide some of the needed money that the President does not ask for, but at the same time is forced to make some cuts as part of budget negotiations with the White House. The result is inadequate funding.

These budget cuts or shortfalls are compounded further by timing problems. When decisions on the budget are delayed, the government is funded through a series of stop-gap measures. This procedure harms relief operations overseas. Aid groups go on austerity budgets, let staff go, and temporarily shut down programs. It is very hard to re-hire after letting people go and to renegotiate leases after moving out. It is, of course, much worse for the people who need health clinics, clean water, latrines and shelter, and programs to educate and protect children. For them it means poor nutrition, lack of inoculations and obstetric care, and premature deaths.

The Secretary of State is traditionally the lone voice at the Cabinet table and with the President for international programs. Because the disconnect between large defense budgets and cash-strapped crisis prevention and response programs is now more and more evident, Secretary of Defense Gates has recently called for increased funding for the civilian sides of the national security budget. I applaud this far-sighted advocacy for a more robust non-military capacity, and I thank Secretary Gates for his inclusive view of the ways to pursue American interests.

The President's FY 2009 Budget will be submitted to you in early February. Advance word – these are admittedly only rumors – is that it will under-fund UN peacekeeping, including in important missions such as Congo, and not provide enough for other humanitarian programs. We are very concerned.

To summarize, US foreign aid is reaching record levels, but we are facing budget cuts to humanitarian accounts. The US generously runs the PEPFAR program to fight HIV/AIDS and a new aid agency – the Millennium Challenge Corporation – has actually been stood up and is operating to help a select group of countries. Yet one large natural disaster could wipe out US disaster aid for a host of trouble spots around the world, and camps for refugees in Kenya and Ethiopia need to be drastically scaled back because of budget cuts. If development has been elevated to stand alongside diplomacy and defense as key parts of our national security, why do we see such an uneven approach to these vital tools?

Now, to turn to the most important question: What can be done?

First, reform. You should know that most non-governmental organizations agree changes are needed in the way the US government foreign aid programs are structured and funded. The next two years may be the perfect opportunity to introduce ideas for reform, debate them, and then move to implement them as part of an agenda led by a new President. And there is no reason this task cannot be a bipartisan undertaking.

Second, increased funding to programs that work. I feel strongly that the United States government should make a greater investment in programs that help the poorest and most vulnerable. While some will question whether foreign aid can really help people, there are programs that make a proven difference in the lives of the poor. I recommend to you a greater

investment in programs that provide clean water and sanitation, deliver primary healthcare, and implement community driven reconstruction.

I will use community driven reconstruction as an illustration of how the IRC in particular works. We begin by overseeing the election of a local community council that identifies the highest priority projects for that community. We work hard to ensure diverse participation and also support from village leaders. In Afghanistan, council members include women. Resources – \$200 per family, up to \$60,000 per village – are then provided through the appropriate government ministry. There is tremendous ownership of the projects that result. I have admired the products of this process in Kosovo, Rwanda, and Afghanistan: schools, health clinics, bridges. In fact, I can trace the IRC's support for this process from Kosovo, where we first developed it, to Rwanda, to Afghanistan, where Rwandans trained Afghans based on the counsel of the Minister of Rural Rehabilitation and Development, Hanif Atmar, who knew of the program because he had been a long-term IRC staff member before joining the Karzai administration (where he is now Minister of Education).

These efforts uphold the best American traditions, traditions of charity and aid to those fleeing war and dictatorships and those recovering from war. They give children a chance to live, grow and thrive, and know their parents. They support people who are uprooted through no fault of their own to begin anew.

Third, guiding principles. In my work as a member of the Interaction board, I chaired an effort to respond to the F reform process by introducing a set of principles and values that most aid agencies could endorse. We believe these principles, included in the Interaction document "Reform of United States Foreign Assistance" should guide any attempt at reform.

1. **Poverty reduction** must be primary object of US foreign assistance because it promotes stability.
2. Achieving the long-term objectives of global prosperity and freedom depends upon **sustainable development** as a long-term process that should not be sidetracked for any short-term political agenda.
3. **Cohesion and coherence**, in place of current fragmentation, are necessary to achieve the effective use of foreign assistance resources.
4. Building **local capacity** promotes country ownership and leads to self-sufficiency.
5. **Harmonize priorities** among the U.S. government agencies, multilateral institutions and recipient governments to assure the best use of resources.
6. **Humanitarian assistance** programs should continue to be a core part of foreign aid and be guided by the principle of **impartiality** to conform with international humanitarian law.
7. U.S. foreign assistance programs should be under **civilian control** and run by development professionals in order to be appropriate for the public abroad.

Fourth, a global development department. Based on these principles, the Interaction report advocates the eventual establishment of a cabinet-level department charged with the mandate

of managing all US foreign aid activities. I thought then, and am even more convinced now, that all the major development programs, including programs of USAID, the Millennium Challenge Corporation, PEPFAR, the technical assistance program of the Treasury Department and contributions to the international financial institutions and UN development programs, should be housed together in a single agency. Then I would recruit and staff it with people with the right skills.

When forced to work together and report to a single chief, US aid experts would be better able to align aid resources. We should have a better handle on where the money is going, look for and cut out any redundant programs, and address the large disconnects between needs and the funding available to address them. Those are all high priorities.

Relief and development programs need a stronger voice at the table. You should know that many of our colleagues in other aid agencies and foreign policy think tanks agree with us. They see creation of a strong development department as the best way to achieve foreign aid reform. Elevating humanitarian relief and development in this way will allow this set of concerns to hold its own in deliberations of the relative priority of foreign assistance as compared to defense and diplomacy.

The International Rescue Committee receives significant funding from the Department for International Development (DFID) in the United Kingdom. In particular, DFID is a major funder of our programs in primary health care and community driven reconstruction in the Democratic Republic of the Congo. What is very impressive about DFID as a funder is that they are able to make long term commitments based on detailed needs assessments—in this case, the IRC’s series of mortality surveys. (Parenthetically, our fifth survey has just been released and demonstrates that the health needs of Congo are enormous and require precisely the kind of long-term aid that DFID is providing.)

Watching DFID in action, I have become convinced that this is the model that we should study for reforming the US aid bureaucracy. We should not only model our own aid agency on DFID. We should partner with DFID and the aid agencies of other major donors when we develop our aid plans. A cabinet-level department that unifies all US aid programs will also facilitate working more closely with allies in the fight against poverty and war.

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I have focused on the ways that American foreign aid programs can be significantly improved. But I would like to conclude my testimony with a deeply felt expression of appreciation for all that U.S. foreign aid accomplishes. Day in and day out, the generosity of the United States as embodied in the foreign aid program is saving the lives of thousands of innocent people throughout the world.

Congress, the administration, and indeed all Americans can take great pride in the assistance that United States provides. It is a magnificent demonstration to the rest of the world of our best qualities -- warmth, generosity, and concern for the most vulnerable.

Because our foreign aid program is so important both to America and to the people we assist, we should move expeditiously to organize it so that it can be even more powerful and more effective as a force for good than it already is.

Thank you very much.

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