

Remarks of Andrew Natsios
Executive Professor, Bush School of Government
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The conference today is particularly well timed.

We have all read of the reports of a 30-37% cut in the 150 account and the negotiations now underway between State and OMB on the matter. So we are at a critical moment in the future of the foreign aid project of the United States government.

USGLC has done a masterful job in coordinating public and congressional response to this shortsighted proposal.

I particularly appreciated Senators Rubio and Graeme’s public comments as well as those of Senator Mitch McConnell, and the letter by retired general officers of the U.S. military.

The budget, of course has not yet been published, and is not a done deal, as it requires the approval of Congress. The fight has just begun.

Historically liberal internationalists speak in very different terms from Realists in talking about development assistance and foreign aid. Liberal internationalists often talk about the Millennium Development Goals, and now the SDGs, eliminating poverty as the purpose of aid, reducing income inequality and redistribution of wealth, and other even more utopian objectives of aid programs. Realists talk about assessing threats to the United States and determining to what extent aid programs can address those threats, hopefully to eliminate them or at least mitigate them. They talk about national interest and how aid programs can be seen as benefiting the United States and the American people. We are living in an increasingly realist political landscape not only in Washington but also in other wealthy democracies with aid programs and I think our language in the community has not caught up with that reality.

I would like to address three questions:

What are the greatest potential threats facing the United States?

What institutional changes such as aid allocation formulas and organizational changes should be made to increase the effectiveness of aid programs?

How can we use existing resources in a budget constrained environment to address these threats creatively and by reallocating resources?

Many American Presidents have confronted Black Swan events that have dominated their time in office. By definition Black Swan events are unexpected and unplanned for, and yet of history altering consequence.

Four of the greatest events of the twentieth century and first year of the 21st century were Black Swan events: Outbreak of WWI in 1914, Great Influenza Pandemic of 1918 that killed upwards of 90 million people, the collapse of the Soviet Union in 1990, and the Al Qaeda's terrorist attacks on 9/11.

We may be living through the next great Black Swan event and not realize it. Tom Friedman's argues that it is the invention and dispersion of the SMART PHONE which is causing the mass migration to Europe (and to a lesser degree America) which the political leaders of the continent are now trying to grapple with. This mass migration combined with profound shifts in the global economic order, and the rise of a more aggressive and expansionary Russia, is how altering the political landscape in Europe and the United States and threatening the European Union. We are now seeing the unraveling of the international order and the rise of xenophobia, protectionism, isolationism, and ultra-nationalism. Political leaders are attempting to respond to events they did not create or anticipate.

What other Black Swan events will confront us in the next decade?

What role can soft power, more specific to us, U.S. development power, play in preparing for and responding to these events?

Historically foreign aid appropriations has increased as the threat to the country has risen while aid declines which those threats recede.

You would think that given the massive size of the anticipated cut in foreign aid that no threats face the U.S. But this is certainly not the case now.

I would argue we are facing the greatest threats since the Post-WWII era in the 1940's, and now need our aid programs more than at any time since their inception. While some types of threats can be stopped at our borders, or with military force, most cannot. That is where our development and disaster assistance programs come in.

What are the potential Black Swan events we face?

- A Pandemic on the scale of 1918 which killed 90 million people or 5% of the population of the world, or even at a much reduced level of mortality
- A bioterrorist attack against our people or our agricultural system
- An acceleration of the present migration, refugee, and IDP crisis
- A disruption of the world's food supply causing food insecurity and famine, and political upheaval
- The takeover of entire countries by international criminal cartels, and networks of gangs that traffic in persons and illicit narcotics, counterfeiting, money laundering, rising threat of international terrorist networks, and illegal arms. There are at least five developing countries where this is happening today.
- ISIS, Al-Shabaab, Al-Qaeda in the Islamic Maghreb, and Boko Haram form a network of extremist groups destabilizing Northern and East Africa and the Middle East.
- All of these threats are given sanctuary in and by fragile and failing states which are rising in number and significance. Fragile and failing states remain one of the most serious national security threats facing the United States.

Building robust, legitimate, and resilient public and private institutions in developing countries which can meet these challenges without collapsing should be the central mission of our aid programs. That is in the interest of people in the developing world and the developed world alike. It is a shared interest of profound importance. We should all know by now that competent and just governance has been and is the central development issue of our time.

We have three great challenges in carrying out this institution-building development mission.

- First, it has limited popular and political support in the United States, is difficult to explain easily, does not photograph well, and is not easily measured.
- Second, it requires patience and a long time horizon.
- Third, it requires capable and visionary local leaders as partners, which we sometimes do not have.

These challenges also require increases funding, which we are unlikely to get any time soon. In fact we will be fortunate to keep our current funding levels. I would count it a great victory to hold the budget cuts in our aid programs to a 5% reduction. We will have to reallocate the limited resources we have at our disposal, if we can protect them from these draconian cuts, to address these new challenges. For example, the Presidential HIV-AIDS program serves more than 11 million people and has saved their lives from certain death, as there is no cure or vaccine for HIV/AIDS. It is always fatal. The program is a great credit to the United States and American people has shown our moral and humanitarian principles. It has cost thus far over \$60 billion. Under President Obama USAID and CDC has begun the process of turning over these programs to be run by the countries themselves with some ongoing limited technical support from donor governments. That process should be accelerated and some of those funding used to build national networks of health clinics in the poorest and most fragile states to monitor and treat infectious disease more generally, but specifically to detect and address the risk of future pandemic disease.

Here is another example of reallocation of aid resources given the threat of food insecurity in the future. The Consultative Group on International Agricultural Research (CGIAR) was created by Dr. Norman Borlaug and his colleagues, the World Bank and USAID to institutionalize the Green Revolution in the late 1960's by breeding new food producing seed varieties. The CGIAR is facing major cut backs and some of the centers have been closed. It certainly has its own internal governance and operational problems that should be addressed. But a reformed and refinanced CGIAR could provide the world, the institution needed to protect the food supply of the countries of the world. The Trump Administration should consider reallocating funds from USAID's Feed the Future Initiative to be used to finance and save the CGIAR, pursue these needed reforms and expanded mission.

A second issue I would like to address is the need for reform of our aid organizational structures and allocation formulas. As you are aware Brian Atwood and I have published an article in Foreign Affairs on line arguing for an independent department of international development. We stand strongly behind the article, but it does not appear to be the blueprint for what the Trump Administration is considering. Instead some argue we should move parts of USAID into the State Dept. and the rest to the MCC.

CSIS has published an important new report on the Future of MCC as a model for aid programming. The report should be widely as it shows a much needed and refined understanding of foreign aid management and policy issues. The MCC should be protected most importantly because it responds to a country-led demand for more development funding for infrastructure than we currently provide. Since its founding MCC countries have chosen to use 55% of their compact funding for infrastructure because other donor aid agencies do not, mainly because of opposition from environmental groups and some NGOs.

Speaker Ryan and other Republican leaders have proposed moving USAID's development assistance to the MCC. The Heritage Foundation proposes moving the rest of USAID to the State Department. For many Republicans, the performance based model of the MCC is a great innovation which should be applied to all aid programs. Performance-based systems for aid allocation make sense if the sector earmarks are all abolished and all aid programs are designed in-country. Health programs and humanitarian assistance make up 50% of the entire U.S. government aid program. Distributing malaria or HIV/AIDS funding should be done based on how high the infection rates are, not on the overall performance of the local government on other issues, which would make no sense at all. Most disaster assistance is to countries in crisis such as Sudan, South Sudan, Somalia, Syria and Iraq. How many of these countries would qualify for the MCC? None.

One of the greatest national security threat to the United States are fragile and failing states as I mentioned earlier. How much MCC funding would go to these states? None.

Much of our aid funding go to countries of strategic significance to the United States such as Afghanistan and Pakistan, Ukraine, and Jordan and Egypt, not because of good performance or human need but because they make a difference to our security interests. Should we abandon our national security interests?

Moving aid programs to the State Department makes little sense. State is not organized to manage programmatic risk which is very high in aid programs. It arguably has the weakest Inspector General's function in the federal government, does not hire or promote its officers based on their knowledge of the technical disciplines which make up development theory and practice, and has a limited procurement and program management functions. If the disaster relief programs were moved to the State Department the US government world leadership in this area would be seriously compromised. State is a diplomatic institution, not a

development agency. The notion that there is an overlap between what USAID and State Regional Bureaus do is devoid of any operational understanding of what the two organizations do for work. State regards spending money as a clerical function, USAID understands programming, overseeing, and evaluation the expenditure of development dollars to be at the center of what it does. Let State do its job; let USAID do its job.

Finally let me conclude on a more optimistic note. The development challenges facing the United States and the world require new approaches. We started the Global Development Alliance as now the largest Public Private partnership for development in the world. We should expand this initiative perhaps in ways and new avenues. Having a USAID mission in Brazil and India make little sense at their point in their history. They can manage their own development. We should consider new forms of development cooperation with middle income countries that involve technical and university exchanges, and university linkages programs.

