

**DEVELOPMENT COOPERATION:
A KEY PARTNER OF
DIPLOMACY AND DEFENSE
IN US FOREIGN POLICY**

Remarks by James Michel at the
Santa Fe World Affairs Forum Symposium
“Talking to the Enemy, Cultivating Friends:
Diplomacy Revisited”

Santa Fe, April 29, 2014

[SLIDE 2, DISCUSSION TOPICS]

DISCUSSION TOPICS

- Security and development are interrelated.
- US foreign policy calls for the integration of defense, diplomacy, and development.
- Achieving an integrated foreign policy is difficult, but progress is evident.
- Development cooperation is in transition.
- US leadership in development is in the national interest

Security and Development are Interrelated

There was a time when security and development issues occupied different spaces in international relations. Security was largely about preserving the political independence and territorial integrity of states, and especially resisting the threat or use of force by powerful states. Development was about helping poor, weak states to achieve economic growth and higher standards of living for their people.

At the end of World War II the international community created separate institutions to deal with security (such as NATO) and development (such as the World Bank). Throughout the Cold War era it was generally recognized that “winning hearts and minds” was good for security and that peace and stability were good for development. But the people and institutions that focused their attention on security were not much concerned with the details of development and the development community was not very comfortable about being associated directly with security interests.

Over time, the intimate connection between security and development achieved greater recognition and acceptance. We have come to think increasingly about the human dimension of both concepts, shifting from a state-centered to a people-centered perspective. We now see security as involving the survival, livelihoods, and dignity of people (physical, economic, and political security) and development as a multidimensional process with political, security, and environmental factors that are as important as the economic and social aspects. There is an extensive body of literature on “human security” and on “human development.”

[SLIDE 3, PEOPLE-CENTERED SECURITY]

PEOPLE-CENTERED SECURITY

“Security” is... an all-encompassing condition in which people and communities:

- live in freedom, peace and safety;
- participate fully in the process of governance;
- enjoy the protection of fundamental rights;
- have access to resources and the basic necessities of life; and
- inhabit an environment which is not detrimental to their health and well-being.

DAC Orientations on Preventing Violent Conflict, 2001

[SLIDE 4, PEOPLE-CENTERED DEVELOPMENT]

PEOPLE-CENTERED DEVELOPMENT

Development can be seen...as a process of expanding the real freedoms that people enjoy.

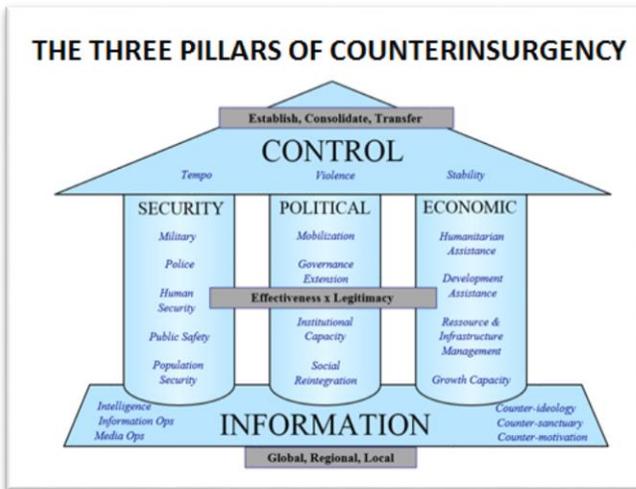
Amartya Sen, Development as Freedom, 1999

The basic purpose of development is to enlarge people’s choices...to create an enabling environment for people to enjoy long, healthy and creative lives.

Mahbub ul Haq, Reflections on Human Development

It has long been recognized that counterinsurgency efforts require interaction among security, political, and economic factors. The United States formalized an interagency counterinsurgency strategy in 1962 in the context of the Vietnam conflict. Many State and USAID officers of that period had their first overseas assignments in Vietnam, and a few in Cambodia and Laos. The multidimensional character – political, security, and economic – of counterinsurgency efforts remains evident in the current US Army Field Manual.

[SLIDE 5, COUNTERINSURGENCY]



Even as the number of conflicts and the number of deaths from conflict have declined in recent years, challenges to human progress in fragile and conflict-affected states are a growing international concern. There is a need to look at the relationship between security and development in a much broader context than that of counterinsurgency.

When I was elected to lead the OECD Development Assistance Committee, I undertook an initial round of consultations with the development ministers of OECD countries to ask about their priorities. This was in 1993. I found that the ministers shared a deep concern that scarce resources needed to support long-term development were being consumed by competing short-term needs to respond to humanitarian crises. The ministers foresaw that development failures would increase immediate humanitarian needs, and that those needs would consume resources otherwise available for long-term development. In turn, progressively diminished ability to address the long-term would further increase short-term needs. We soon had a DAC task force on conflict, peace, and development.

The convergence of security and development issues intensified after the awful trauma of September 11, 2001. That terrible event brought to the fore the realization that the principal security threat was now coming not so much from strong states that might invade their neighbors (although we are reminded by current events that this kind of threat hasn't completely disappeared). As the Commission on Weak States and National Security concluded in 2004, a "large number of weak and failed states emerged as a central challenge of both the fight against terrorism and the fight against global poverty."

The intensity of interest in the security-development nexus has continued to increase in the 21st century. The World Bank devoted its 2011 World Development Report to *Conflict, Security, and Development*. Fragile and conflict-affected states received prominent attention in the December 2011 Busan Partnership Declaration. The International Dialogue on Peacebuilding and Statebuilding, a group made up primarily of fragile states, estimates that 1.5 billion people

live in fragile and conflict-affected states. These states account for 30 percent of global official development assistance, and they are the places furthest away from achieving any of the Millennium Development Goals of reduced poverty, improved health and nutrition, greater equality and opportunity, and environmental sustainability.

US Foreign Policy Calls for the Integration of Defense, Diplomacy, and Development

Since 2002, all US National Security Strategies have included development as an integral component of national security. The successive strategies have been increasingly specific in this regard. The current one, approved in 2010, calls for a whole of government approach to integrate all the tools of American power, including “the integration of skills and capabilities within our military and civilian institutions so that they complement each other and operate seamlessly.” The strategy calls for comprehensive engagement, including “greater and more deliberate focus on a global development agenda.”

Also in 2010, President Obama signed a directive that proclaimed the first formal US global development policy. The directive cites the National Security Strategy and declares a policy that “places a premium on broad-based economic growth, democratic governance, game-changing innovations, and sustainable systems for meeting basic human needs.”

This global development policy expressed the intention to “elevate development as a central pillar of our national security policy, equal to diplomacy and defense, and build and integrate the capabilities that can advance our interests.”

The increased official emphasis on integrating defense, diplomacy, and development as complementary instruments of an effective foreign policy had been encouraged in reports from a number of major studies. For example, the Center for Strategic and International Studies organized a bipartisan Commission on Smart Power, chaired by Richard Armitage and Joseph Nye. A major theme of the Commission was the need for the United States to align its own interests with the aspirations of people around the world. As the Commission’s 2007 report asserted, “the United States must move...to inspiring optimism and hope.”

As Ted McNamara mentioned yesterday, former Secretary of Defense Robert Gates (in both the Bush and the Obama administrations) and former Secretary of State Hillary Rodham Clinton were both outspoken advocates for placing greater reliance on civilian power and reducing our dependence on the military to carry the burden of national security.

[SLIDE 6, ROBERT GATES]

ROBERT GATES, 2007

Military success is not sufficient to win: economic development, institution-building and the rule of law, promoting internal reconciliation, good governance, providing basic services to the people, training and equipping indigenous military and police forces, strategic communications, and more – these, along with security, are essential ingredients for long-term success.

[SLIDE 7, HILLARY CLINTON].

HILLARY RODHAM CLINTON, 2010

With the right balance of civilian and military power, the United States can advance its interests and values, lead and support other nations in solving global problems, and forge strong diplomatic and development partnerships with traditional allies and newly emerging powers. And we can rise to the challenges of the world in the twenty-first century and meet the tests of America's global leadership.

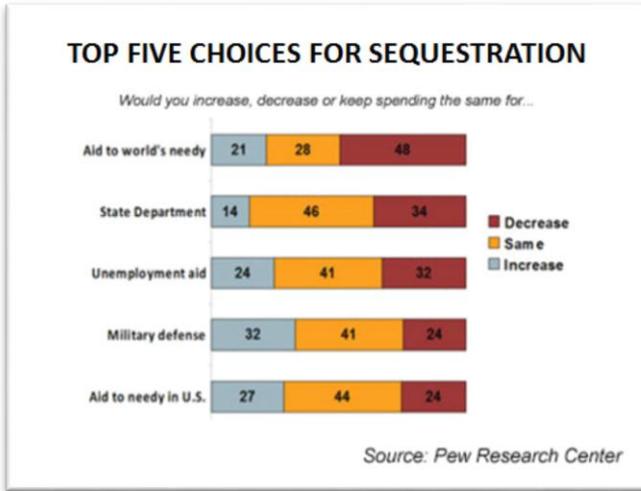
This theme was a major focus of the Secretary of State's first Quadrennial Diplomacy and Development Review (QDDR), which published its report shortly after the issuance of the new U.S. global development policy in 2010. QDDR declared that elevation of development would be pursued through partnership, innovation, and results and through rebuilding the capacity of the US Agency for International Development to lead in development as well as increasing the capacity of the Department of State to support development.

Achieving an Integrated Foreign Policy Is Difficult, But Progress is Evident

There are significant external and internal impediments to institutionalizing an integrated foreign policy in which the instruments of diplomacy, development, and defense are efficiently coordinated.

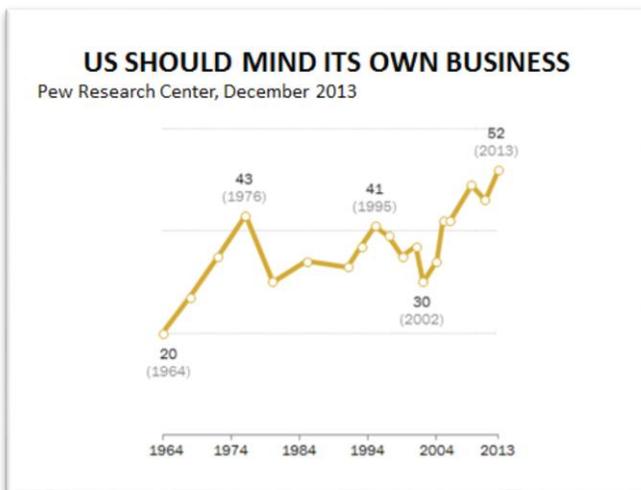
External impediments begin with the fact that public opinion still tends to identify security in the traditional sense of a primarily military issue. Public attitudes are illustrated by surveys about budget priorities. For example, a 2013 survey showed a strong preference for cutting foreign aid over cutting defense and a strong preference for increasing defense over increasing the State Department budget. These preferences probably reflect, in part, a misperception that development and diplomacy account for a substantial percentage of the federal budget.

[SLIDE 8, TOP 5 CHOICES FOR SEQUESTRATION]



More broadly, public opinion about the US role in the world changes from time to time. The greatest enthusiasm is evident at times when new challenges arise and the most negative attitudes tend to coincide with end points of our involvement in conflicts. The number saying the United States should “mind its own business” now exceeds 50 percent of those surveyed. This evidence of public skepticism adds a significant difficulty for any policy of international engagement.

[SLIDE 9, US SHOULD MIND ITS OWN BUSINESS]



A lack of knowledge is one reason why development, in particular, encounters public skepticism and compares unfavorably with other budget choices in public opinion. There have been extraordinary gains in human progress during the modern era of development cooperation. These gains include dramatic improvements in incomes, longer and healthier lives, less hunger and better nutrition, more children in school, more opportunities for women, and more people enjoying freedom. Well known contributions of international cooperation include reduced hunger through the green revolution; increased child survival through oral rehydration, vaccinations, and other medical advances; expanded literacy through assistance to education; and increased freedom through support for democratic governance.

I want to add a personal note about support for democratic governance. Bad governance is an impediment to development in many countries. Yet, for many years development agencies were reluctant to address this sensitive political issue directly. The United States was a leader in changing this.

In the 1980s Latin America was going through a sweeping transformation from authoritarian regimes to civilian elected government. The United States welcomed the transition, but had no existing means of programmatic support for democratic governance. As I traveled through the region, meeting with government officials and community leaders, I learned about their concerns and I joined in the advocacy in Washington for the creation of supportive US programs.

We developed programs to support independent electoral bodies, audit agencies, courts, and legislatures, as well as competent municipal governments and active civil society organizations. John Heard has reminded me, in particular, of the municipalities in action program in El Salvador, which provided funding for small municipal projects chosen through open public meetings and managed in accountable ways by local authorities. I'm convinced that this kind of support for democratic governance helped to build hope for a more just society and willingness to negotiate the peace accords that were concluded in 1992. More generally, including democratic governance in our development cooperation underlined in a highly visible way the US policy of support for the region's democratic transition.

We expanded our support for democratic governance worldwide in the 1990s and, soon, other development agencies followed suit. Today, it is generally recognized, as stated in the United Nations World Summit Declaration of 2005, that "good governance and the rule of law...are essential for sustained economic growth, sustainable development and the eradication of poverty and hunger."

The record of global progress in the human condition is found in publications that are not widely read outside the development community. One survey suggested that few Americans have heard of the Millennium Development Goals. The news that the goal of reducing global extreme poverty by one-half had been met (and it was met) could hardly be expected to

impress those who didn't know there was such a goal. Serious attention needs to be given to overcoming the information gap about development.

There is a lot of work underway to improve the volume and quality of public information about development. But that information has to compete for public attention in an environment of information overload and diminished public interest in international affairs.

Internal impediments to a truly integrated foreign policy are also formidable. As in the case of public opinion, the starting point is knowledge. Interagency communication certainly has improved. However, there remain serious gaps between concerned agencies in understanding what each of the others is doing and how skills, knowledge, and resources can be aligned to better serve US interests.

Building a shared knowledge base is complicated by differences among agencies in staffing patterns and reassignment cycles for military and civilian personnel. Rigorous planning within the country team, led and enforced by the Ambassador, can mitigate this complication. But, too often, effective interagency collaboration depends in large measure on the right combination of committed people being in the same place at the same time.

Another complication is the impact of differences in agency missions and time frames for results. If an Army commander wants to promote good relations with a nearby community he or she may want to respond to a request for a new schoolhouse, usually by completing the project in a few weeks. Presented with the same kind of request, USAID is more likely to ask about local systems for allocating resources for construction, teacher pay and training, books and equipment, maintenance, curriculum development, and other dimensions of the education system. It takes quite an effort to fit the short-term needs and the long-term benefits together so that the schoolhouse can get built as part of a sustainable investment in improved education.

Similar issues arise in other contexts, such as the operational need for timely law enforcement cooperation and the development objective of achieving a fairer, more effective, and accessible justice system. Improved interagency understanding and accommodation can achieve better overall results – not always, but often. The risk is that the easier path is to pursue individual agency interests and forgo the potential mutual benefits of coordination. It is a time-worn adage that nobody gets promoted just for being good at coordination.

Despite the obstacles, there are clear signs of progress in implementing the approach of a more integrated foreign policy that draws on an array of diplomatic, development, and military capabilities.

USAID and Defense have a long history of cooperation, especially in disaster response, but this has intensified and expanded in recent years. The two agencies have collaborated on revised guidance for coordination of their policies, plans and programs at various organizational levels. USAID officers are serving as development advisors in six Unified Combatant Commands and

with the Joint Staff. Military personnel are serving in USAID's Office of Civilian-Military Cooperation. Lessons are being learned through joint exercises.

The Department of State, of course, has well established working relations with both USAID and Defense. It has established a Bureau of Conflict and Stabilization Operations to foster even closer interagency coordination. It has also developed policies, such as evaluation, to bring the management of its own foreign assistance programs more into line with established standards for development cooperation. Classes for State officers on development have been included in the training programs of the Foreign Service Institute.

USAID has strengthened its management systems through a major reform program, USAID Forward. In particular, it has approximately doubled its Foreign Service staff since 2008 and the majority of the approximately 2,000 Foreign Service officers currently on the rolls have served in conflict environments such as in Afghanistan and Iraq where they have become intimately familiar with the challenges of interagency coordination.

The challenges shouldn't be exaggerated. We are talking about organizations – principally State, USAID, and Defense – that are in the business of persuasion and change management. Further progress can be attained. It's a matter of priorities as to whether leadership, innovative management, and bureaucratic energy are marshalled to the task of integrating the strands of foreign policy. Knowledge, incentives, performance monitoring, and evidence of better results are the tools.

It's also worth noting that these impediments to coherent policy are not unique to the United States. The Germany-based Bertlesman Foundation has produced a study entitled *Diplomacy, Development and Defense: A Paradigm for Policy Coherence*. It shows that the issues being addressed in the United States are also concerns for the United Kingdom, Germany, the Netherlands, the European Union, and the United Nations.

Development Cooperation Is in Transition

Development has been described as “a cumulative historical process of transformation in a society's functional capacity to navigate its economy, polity, society, and public administration.” When countries get all four factors right:

- The economy grows through enhanced productivity.
- The political system represents the aggregate preferences of citizens.
- Rights and opportunities are extended to all social groups.
- Organizations function on the basis of impartiality, merit and professional norms rather than privilege and family or political connections.

Over many years of experience and study we have learned that there is no single path to making that transformation and becoming a more stable, just, and prosperous society. There are no silver bullets. The most appropriate specific policies and actions for achieving

development progress depend in each case on the local environment. The qualities of local economic and political institutions are shaped by the power relationships, values, and experience of each society. Change is a long-term and continuing political contest and the struggle for change requires a good fit with the local political economy.

We have also learned ways in which international cooperation can be most effective in helping developing countries to navigate their own paths to sustainable development. Perhaps the most important thing we have learned is what not to do. That is, we have learned that external actors cannot make development happen and cannot expect their own models to flourish in very different environments. Development must be locally led and local institutions must be nurtured.

Over the past 25 years we have seen increased international convergence on development goals and also on principles of effective development cooperation. The last decade of the 20th century witnessed a series of global conferences that established goals for many aspects of development: conferences on education, climate, health, gender equality, human rights, and social development. In 2000 a Millennium Summit of world leaders consolidated these numerous conference recommendations into eight Millennium Development Goals with targets for 2015.

In the first decade of the 21st century attention shifted more to themes of development finance and aid effectiveness. A series of conferences on these subjects culminated in a major event at the end of 2011 in Busan, South Korea. The Busan Partnership Declaration produced broad agreement on principles and a vision that reflect much of what we have learned about the development process.

[SLIDE 10, BUSAN PRINCIPLES]



The Busan framework welcomes diversity and encourages broad stakeholder participation in developing countries and from the increasingly diverse international development community. Busan calls for a change of focus – from aid effectiveness to effective development.

The vision is one of development centered on:

- strong, sustainable and inclusive economic growth,
- greater reliance on domestic resources to finance development needs,
- effective and accountable state and non-state institutions, and
- increased integration of developing countries in regional and global networks.

[SLIDE 11, THE BUSAN FRAMEWORK]

THE BUSAN FRAMEWORK

To broaden our focus and attention from aid effectiveness to the challenges of effective development:

- strong, sustainable and inclusive growth;
- greater reliance on domestic resources, with accountability to citizens;
- effective and accountable institutions, and
- increased integration of developing countries in regional and global networks

This vision has been endorsed by more than 150 countries and more than 50 international organizations. Its emphasis on inclusive growth and good governance is consistent with the definition of development as a “historical transformation in functional capacity.” Achieving that vision will require far more than foreign aid. It will require that developing countries build fundamental capabilities – sound policies, competent institutions, and capable human resources – and that they engage in the global economy.

The MDGs are goals for 2015 and as 2015 approaches intensive work is underway to develop a new development agenda. One part of that work is about deciding *what* should be the new goals to replace the Millennium Development Goals. The UN Secretary General is expected to prepare a synthesis report this year that will take into account recommendations from several expert groups and wide ranging consultations with the private sector, civil society, academia, and interested individuals. The Secretary General’s synthesis report will be the basis for the negotiation of new development goals for consideration by a 2015 summit.

A second part of the work is concerned with *how* the new goals will be pursued. The Busan Declaration established a new coordinating mechanism for this purpose, complementing ongoing work of the United Nations.

The Global Partnership for Effective Development Cooperation has been operating since 2012 through a 15-member steering committee consisting of representatives of aid recipients, aid

providers, civil society, the private sector, parliamentarians, and multilateral organizations. The OECD and UNDP are providing secretarial support.

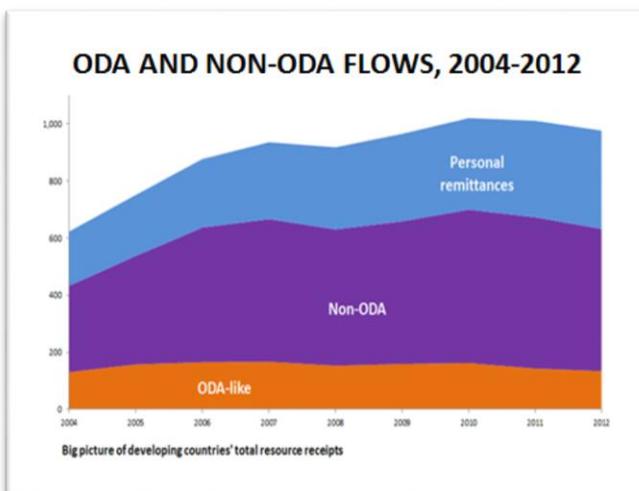
The steering group organized the first high-level meeting of the Global Partnership (at Ministerial level) in Mexico City earlier this month. I just returned home from this event at which more than 1,500 registered delegates reviewed progress in the first two years of implementing the Busan commitments and planned ways in which development could be further enhanced through effective international cooperation.

The Mexico City meeting was characterized by high-level dialogue, with substantial and enthusiastic civil society and private sector participation. The participants agreed to convene future high level meetings every two years and South Korea undertook to host an annual workshop to sustain progress and build support for effective action to further the Busan principles and framework. In addition, various countries and organizations committed to undertake a total of 39 voluntary initiatives to further the Global Partnership.

The deliberations on the post-2015 development agenda – *what* goals it should have and *how* they should be pursued – is taking place at a time when the composition of financing for development is undergoing a profound change.

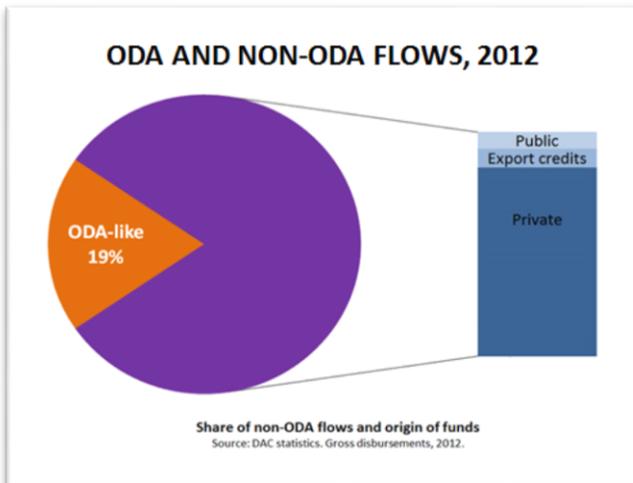
Total official development assistance expenditures increased in 2013 to about \$135 billion, reversing a downward trend of the past two years. Nevertheless, the relative importance of official development assistance has diminished as nontraditional donors, private philanthropy, expatriate remittances, private investment, and – likely to be the most important – domestic resource mobilization have all increased. With respect to international flows, non-ODA resources now greatly exceed ODA.

[SLIDE 12, ODA AND NON-ODA FLOWS, 2004-2012]



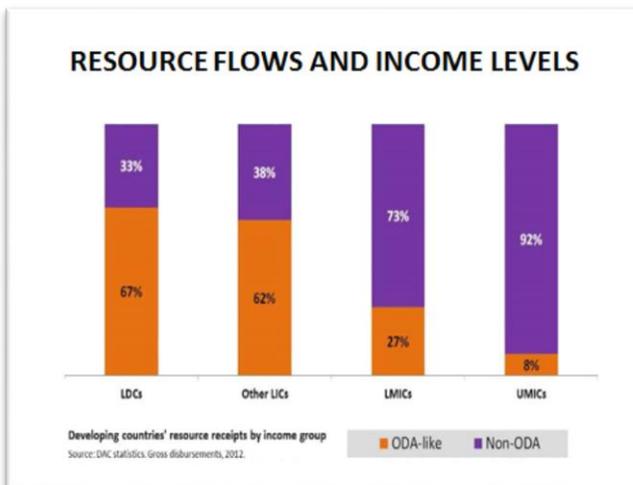
In percentage terms, according to the DAC, non-ODA flows account for over 80 percent of external resources received by developing countries. More than two-thirds of these resources now come from the private sector.

[SLIDE 13, ODA AND NON-ODA FLOWS, 2012]



It is important to note, however, that private capital tends to flow more to middle-income than to low-income countries and that resources also flow out of developing countries, for example, as repatriated profits and illicit transfers.

[SLIDE 14, RESOURCE FLOWS AND INCOME LEVELS]



With respect to domestic resources, the number of very poor countries is declining and the number of people in the global middle class is expanding. It has been estimated that, on average, government spending in developing countries far exceeds resources from external sources and is rapidly growing – at an average rate of five percent in 70 developing countries and an average of 2.5 for the remainder (mostly very poor) countries.

Available resources from all sources will probably not be sufficient to meet all the needs of an ambitious global development agenda. This likelihood puts a premium on strategic thinking about all the potential sources and kinds of development financing. In particular, the shortage of total resources and the relative decline in ODA suggest that ODA should be used primarily where other kinds of financing are not available and also where it can serve a catalytic role in attracting other kinds of resources. An example discussed in Mexico City was the use of ODA to support improved fiscal administration, which has often substantially increased government earnings from tax collection. Another example is aid for trade, which can help developing countries improve their capabilities to benefit from entry into international markets.

The World Bank has suggested a straightforward three-part strategy that seeks to (1) attract aid from diverse sources, (2) emphasize domestic resource mobilization, and (3) capitalize on the potential of the private sector. The key requirement for generating adequate development finance is to have good fundamental conditions – sound policies, credible institutions, and capable human resources.

Development finance will remain on the international agenda for some time. The UN has launched preparations for a new conference on financing for development to be convened in 2015 or 2016.

US Leadership in Development Is in the National Interest

Development has had an important influence in changing the global economic, social, and political context in ways that are in the US interest.

Over time, development has been shown to affect attitudes in developing countries and, in turn, changed attitudes have been shown to affect behavior. Research has demonstrated a strong correlation between inclusive economic growth and improvements in health and educational attainment. Another body of research has persuasively shown there is a positive interaction among broadly based income growth, shared interests in a society, and state capacity (especially for fiscal management and enforcement of legal rights and duties).

With those changes in attitudes and behavior we also see increased and more diverse participation by developing countries in the global economy along with increased participation in international academic and professional networks. Increased interchange with other societies has exploded with the rapid global penetration of the internet. The web is truly world-wide. An interesting body of research associates the trend toward expanded contacts with increased tolerance of differences in religion, caste, and ethnicity, a decline in the incidence of civil war, increased respect for human rights, and growing legitimacy of democratic governance.

Trends toward shared economic interests, reduced poverty, greater convergence of social values (or at least more tolerance of differences), and increased respect for human rights and democratic governance can improve the prospects for common strategies to address shared

regional and global challenges. Climate change, terrorism, international crime, energy, trade and investment policies, access to innovative ideas and technology –these are examples of global issues that cannot be resolved by the United States alone. They call for a sense of shared interests that development can help to foster. In this way, development supports diplomacy and diminishes threats to national security.

At the same time, experience has shown that development is not a linear progression. The impressive development gains in recent decades will not necessarily continue. Higher interest rates or a drop in commodity prices could be devastating for many countries.

A principal challenge will be the limited implementation capability in many developing countries. Despite universal acceptance in principle of adapting institution strengthening efforts to the local context, the day-to-day practice too often still involves technocratic approaches based on notions of “best practice.” Such approaches tend to lack grounding in the local political and economic context. Therefore, they have little prospect for gaining the sense of local ownership that would be needed for sustainably improving the performance of local institutions.

This is an area where development agencies need to improve their performance to match their rhetoric. It is also an area where effective diplomacy and policy dialogue at multiple levels can help to find solutions that respect local ownership and also safeguard the efficient use of resources. In this way, diplomacy and development will be mutually reinforcing. The United States can play a leadership role in the international community in improving the effectiveness of support for capable and accountable local institutions.

Finally, I want to return to the fragile and conflict-affected states. These present the most difficult development challenges and also the most significant security threats. They are the countries least likely to experience the economic, social and political gains seen in many other countries. They tend to attract little private capital and have little capacity to mobilize domestic resources. They are also the states where the daily challenges of conflict or stability operations dominate the attention of local actors and impede efforts to address longer-term needs.

Extensive research has shown that state legitimacy and provision of public services along with inclusive economic growth and improved protection of human rights are fundamental to changing the trajectory in fragile states. It is in this context where the interaction among military, diplomatic, and development instruments will be most intensive and where their effective integration – in our own national efforts and in our relations with local as well as international actors – will be most important.

Continued progress by highly capable defense, diplomatic, and development agencies, working in partnership and integrating their knowledge and distinct abilities, will contribute greatly to an effective US foreign policy. Policy effectiveness requires a balance among defense, diplomacy, and development. The discipline of development cooperation needs to have a

strong voice, along with those of defense and diplomacy, in the formulation and execution of foreign policy.

[SLIDE 15, THANK YOU]



THANK YOU