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Thank you, Mr. Chairman, for inviting me to testify today on the subject of U.S. bilateral development assistance in the Americas. This written statement discusses the following areas:

In the post-9/11 world, U.S. international development assistance is officially on par with diplomacy and national defense, increasing its importance and its value to the public;

Sustained public support for increased international development aid will depend in great part on ensuring the integrity of the aid programs against political or social manipulation;

Political, economic and social trends in Latin America and the Caribbean in general are moving in a direction unfavorable to U.S. interests;

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Congress is handicapped in its ability to ensure effective expenditures of aid dollars because the chief agency in question has no means of measuring success or failure;

Some strong supporters of bilateral development aid are uneasy, at best, about certain social-oriented development agendas and this could risk strong bipartisan support for a substantial development aid strategy;

U.S. aid strategy requires focus and transformation;

Successful long-term implementation of bilateral development programs requires a parallel public diplomacy and political warfare strategy;

In keeping with the first main point, U.S. international development programming

must be integrated with the larger global war on terrorism.

By way of background, I have served as a contractor and subcontractor on U.S. Agency for International Development (USAID) and U.S. Information Agency (USIA) programming in Latin America, the Caribbean, and the former Soviet Union, and have traveled and lived throughout the hemisphere, including in materially impoverished rural and urban areas. Most recently I spent two years in El Salvador, which despite all its difficulties should be viewed as a real success story for U.S. assistance programs. El Salvador is as close as one can get to a worst-case scenario situation that was turned around completely thanks to a focused and long-term American commitment.

Bilateral development assistance to Latin America and the Caribbean, in addition to its morally correct humanitarian dimension, is an important U.S. foreign policy tool. Crafted skillfully and executed properly, it can serve the public at a time when U.S. interests around the world are being challenged at an intensity not seen since the height of the Cold War.

Since the Marshall Plan, the Alliance for Progress, and the founding of USAID, bilateral aid has been vital component of U.S. national security policy. National security has been a cornerstone of bipartisan development aid policy throughout the Cold War. Now we face a new enemy: Terrorism and its sponsors, as the administration describes it, and the White House has renewed the role of development aid as a tool in the war we face today. The president outlined his rationale in *The National Security Strategy of the United States of America*, which the White House published last year.

The administration's *National Security Strategy*, an annual report required by Congress, is remarkable in that it elevates international development assistance on par with diplomacy and national defense as a tool against the terrorists. This is a historic first.

The second chapter of the *National Security Strategy* states in its title that the U.S. will "Champion Aspirations for Human Dignity." This, too, is a landmark in the nation's national security doctrine, and one in which bilateral development aid can be a major player.

Unfortunately, while the administration called for "transformation" of the military and intelligence establishments, it did not call for "transformation" of the Department of State and USAID. However, in its 2002 report titled *Foreign Aid in the National*

Interest, USAID described how it was integrating itself into the national security triad.

In short, the old-think of a scattergun approach to bilateral development aid, in which the U.S. had the brief luxury of experimentation with social engineering, with few if any considerations for national security priorities, is gone.

The administration has attempted a new approach with a Millennium Challenge Account (MCA), designed to create a multiplier effect by linking aid with private capital. That linkage is intended to reduce waste and create incentives for difficult reforms. Under the MCA, "The U.S. will channel these funds only to developing countries that *demonstrate, not promise*, a strong commitment to:

"ruling justly (e.g., upholding the rule of law, rooting out corruption, protecting human rights and political freedoms)

"investing in their people (e.g., investment in education and health care)

"encouraging economic freedom (e.g., open markets, sound fiscal and monetary policies, appropriate regulatory environments, and strong support for private enterprise)."

The MCA is designed as a lever to encourage governments to pursue sound economic policies that allow people to be entrepreneurial: "we will reward nations that have more open markets and sustainable budget policies, nations where people can start and operate a small business without running the gauntlets of bureaucracy and bribery."

Maintaining public support for bilateral development aid

A strong public understanding of the importance of bilateral development aid is crucial for the U.S. to take the needed long-term approaches to helping improve life in the Western Hemisphere. That is one reason why most bilateral development aid must be integrated into the country's national security strategy: it helps people abroad while helping the American people at home.

As much as public understanding, it is important that foreign aid programs not be captive of special-interest groups that have contentious political or social agendas. To allow foreign aid to continue financing, promoting, or even forcing such agendas risks undermining public support for foreign development assistance entirely. Likewise,

bilateral development programs must never, in practice or appearance, become extensions of domestic political battles, especially where:

they contain aspects that are morally or socially offensive to the people in the recipient countries;

they promote social programs that the terrorist enemy can use as examples of the United States' degeneracy or ill-intent;

they promote agendas that a significant portion of the American public finds to be offensive or wrong.

Unfavorable general trends

Is Latin America better off today than it was a decade ago? Let's look at the general trends:

Levels of public corruption are generally at the same levels as before.

Heavily centralized and bureaucratized national governments flourish with relatively few meaningful checks and balances.

Crony capitalism remains buttressed by international loans, while keeping much of the populations out of the economy.

Business and investment climate is generally less appealing to those with the capital to provide jobs and build infrastructure.

Economies are depressed and even collapsing.

Some populations show growing disillusionment with democracy and free markets.

Weak law enforcement provides havens for smugglers and terrorists.

Anti-U.S. populism becomes increasingly militant and self-confident.

Mob action increasingly threatens rule of law and democratic governance.

Political extremists and terrorist groups meet annually in an axis against the United States.

Islamist terrorist support operations show increasing penetration and activity.

New actors are emerging as hemispheric troublemakers.

The successful inter-American security relationship is disintegrating.

Illicit narcotics production is making a comeback in areas where it had been almost eradicated.

Certain Latin American governments view the United States is an escape valve for their demographic and economic pressures, and as a permanent source of expatriate cash.

An increase in economic dependency on Washington.

Within these general trends are pockets of real accomplishment that are testimony to the skill and dedication of U.S. aid workers as well as to people and officials in recipient countries. However, USAID lacks a means of measuring progress, making it impossible for Congress to determine the adequacy of programming and funding levels.

Are USAID programs really monitored for success or failure?

Should Congress spend more foreign aid money when its own auditing arm says that present expenditures are not monitored for success or failure?

From my own personal experience on contract with USAID programs a decade ago, the aid organization tended to measure its success more in terms of the dollars it spent and the number of programs it sponsored, rather than the results it achieved. USAID contractors were told to write progress reports stressing the number of dollars spent and the quantity of certain programming, rather than measuring the quality and usefulness of the results.

Investigative data published in 2003 confirms my impressions of 1993. According to a January General Accounting Office (GAO) report, USAID remains structurally and procedurally incapable of providing Congress with adequate assessments of its programming. The GAO report stated:

USAID faces difficulties in identifying and collecting data that would enable it to develop reliable performance measures and accurately report the results of its

programs. USAID has taken several steps to try to overcome these difficulties, such as holding training seminars in field missions. However, although USAID has made a serious effort to develop improved performance measures, it continues to report numerical outputs that do not measure the impact of its programs.

If Congress cannot presently gauge how taxpayer foreign aid dollars are currently spent, why would it consider increasing expenditures at a time of extreme deficits during time of war?

It is urgent to establish an effective and credible metric. Without one, it will be impossible to determine what is working, what is failing, where to cut back, and where to channel more funds.

What is "social development" and who carries it out?

Metric or no metric, one should be leery when government planners create "investment" funds, or when well-meaning proponents call the unmonitored expenditure of tax dollars an "investment." One should also be cautious when political leaders, cause-driven non-governmental organizations (NGOs), and bureaucrats speak of using such "investments" to promote "social development" abroad.

Such jargon reminds one of the great failed social engineering experiments of the past. Will a new "Social Investment Fund for the Americas" really reap a return on its investment that would satisfy most taxpayers? Or will it become a new means of financing domestic and foreign political and social movements that many in Congress and in the public would find objectionable—thus undermining the already soft public support for foreign development aid?

Will a "Social Investment Fund for the Americas" promote the self-sufficiency and productivity that so many people in the hemisphere desperately need? Or will it make those people even more dependent on constant handouts from inefficient bureaucracies and corrupt political machines? Is it designed to force those inefficient bureaucracies and corrupt political machines to open up, reform themselves, and break the cycle of political dependency at home? If so, what political and diplomatic tools are included in the package? If not, will it bolster those same bureaucracies and political machines and even make them become wards of USAID?

Will a "Social Investment Fund for the Americas" become another program that subsumes the U.S. national interest to the political or social agendas of well-meaning aid workers and special-interest groups? Will it become another foreign extension of

domestic political and social battles? Will it promote practices that are morally or socially offensive to significant portions of the population in the recipient countries—to say nothing of the taxpayers at home?

Toward focus

The United States' well-intentioned bilateral aid programs for the hemisphere continue to be a mismash of soundly-devised initiatives combined with the illogically truncated remains of old programming combined with pet projects and feel-good headline grabbers. Taken together, they have not been conceived and constructed in ways that would maximize the impact of each assistance dollar. Many are driven by inertia from the past instead of forward-looking leadership. Others are driven by squeaky wheels at home.

Before Congress appropriates more aid dollars for Latin America, it should study the effectiveness of monies already spent, and ensure that any future resources are expended wisely. Some points to consider:

Measure progress. Congress should demand that USAID provide a credible means of evaluating and accounting for its programs.

Avoid dependency. Aid must be used sparingly so as to avoid a dependency relationship.

Avoid crony contracting at home. With foreign aid such a huge business, there has been a tendency toward cronyism in the contracting process—not in Latin America, but here in Washington. Large companies, built solely to subsist on USAID and related contracts, have mastered the Byzantine process of working with the federal government where smaller companies have not. It appears to the outsider that requests for proposals (RFPs) are rigged in advance to the advantage of the large firms, some of which act as aid mills that carry out the letter of the contract, but not congressional intent.

Be more aggressive against waste, fraud and abuse. USAID programs are riddled with the equivalent of the Pentagon's fabled $600 toilet seats. All programming and practices must be cleaned out if the public is to support sustained development assistance.

Dollars don't tell the story. Spreadsheets and dollar amounts seldom determine success. Some infusions of money can create impressive temporary results, but mean little for

the long-term. Economic aid, healthcare projects, and environmental programs at the humanitarian level do little to help a society become self-sustaining.

Structural reforms require sustained support. Some structural reform projects with promise have died on the vine for want of long-term funds or commitment.

Assistance must be directed to where it does good. That means careful support for governments that have proven a commitment to reform, and non-support to the others. It also means well-targeted assistance to help empower non-governmental organizations, especially in countries where they would run afoul of the local government.

Ensure that foreign aid works in the national interest. Our foreign aid program was developed as a policy tool to stave off and ultimately defeat Soviet expansion around the world. No less so today must it be utilized as a tool in the global war on terrorism.

Integrate bilateral development aid with other tools of statecraft. Those tools include traditional diplomacy, public diplomacy, and in tougher cases, economic and political warfare.

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Strong public diplomacy and political warfare component required

Political and social trends in much of Latin America and the Caribbean appear to be headed against the long-term interests of the United States. This challenge may be ameliorated by a combination of development assistance, public diplomacy, and tools that would allow policymakers to exert greater political leverage.

Organizations and governments hostile to the United States are operating throughout Latin America and the Caribbean to radicalize and organize groups and populations against pro-U.S. governments.

As the president's *National Security Strategy* suggests, one cannot expect bilateral development assistance and related programs to succeed without strong public diplomacy and political warfare components. In the Americas, as elsewhere around the world, the United States has allowed its once-effective public diplomacy machinery to disintegrate. Some of the disintegration has been willful, with unimaginative foreign policy leaders making conscious decisions to terminate important public diplomacy initiatives.

Consequently, in Latin America and the Caribbean, as elsewhere around the world, the U.S. has lost much of the leverage and human networks it had built for decades

through its successful public diplomacy programs. The U.S. did away with crucial broadcasting, citizen exchanges, media services, cultural diplomacy, labor and entrepreneurial exchanges, and other education and training programs that had served the national interest so well in previous decades.

Two years after 9/11, the present administration has done a poor job of reviving public diplomacy—one would have to give it a failing grade—and has ceded the ground to the nation's adversaries and enemies. Examples in the Arab and Islamic worlds are well-known, but significant examples in the Western Hemisphere illustrate that the U.S. is losing the war of ideas because, to put it plainly, it has chosen not to engage.

The one-sidedness of the present war of ideas has allowed modestly funded extremist groups and movements to dominate public debate because the U.S. was not on the playing field. As Marcela Sanchez recently observed in the *Washington Post*,

Throughout the hemisphere, new leaders are promulgating a kind of rhetoric about U.S. imperialistic ambitions eerily reminiscent of Cold War conspiracy theories of a generation ago. Such theories are not new. The problem this time around is that Washington is doing little to improve its image in the region and to counter such notions and the fears they engender. That leaves a vacuum too easily filled by the free flow of information—and disinformation—fueling anti-American sentiment in even the most distant corners of the continent.

Many U.S. policymakers don't take the threat seriously—and that is a danger to the national interest, Sanchez argues:

Most in Washington dismiss such theories as hogwash that gives more credit than is due to a U.S. government absorbed in a new and formidable anti-terrorism war that has pushed Latin America backstage. But ridiculing this kind of theorizing as foolish or anachronistic ignores the fact that it is finding fertile ground among traditionally disenfranchised groups in the region whose destabilizing power is growing and whose leaders are gaining prominence.

For groups as diverse as the *piqueteros* in Argentina, *cocaleros* in Bolivia, landless workers in Brazil, the Pachakutik indigenous movement in Ecuador and the Bolivarian Circles in Venezuela, there is one common thread: The belief that the U.S. role in the region is pernicious.

And the U.S. isn't attempting to counter them. Brazil, for example, has dispensed with its historically moderate foreign policy and now seeks a path of its own, leading other governments—as well as extremist and even terrorist organizations—in anti-U.S. coalitions. President da Silva's Forum of Sao Paulo is an annual networking meeting of most if not all the hemisphere's radical political parties, hung-over communist parties and former Soviet-backed guerrilla groups, and even terrorist organizations. Last year it met in Guatemala, with delegates and observers from the Irish Republican Army, the Popular Front for the Liberation of Palestine/General Command, the Saddam Hussein regime in Iraq, the Qaddafi regime in Libya, Castro regime in Cuba, and the Kim Jong-il regime in North Korea.

The failure to stem the new paranoid populism has allowed the movement to spread across the region and to begin toppling friendly, democratic governments. First was Argentina. Bolivia is the latest case in point. While working with the Bolivian government to eradicate coca production in the 1990s—a successful project that eradicated about 90 percent of the country's coca crops—the United States government shut down its public diplomacy programs in that country.

For more than two decades, the United States sent substantial assistance to the Chapare region of Bolivia. Recently, Bolivia has been the recipient of USAID programs worth $100 million a year to help farmers transition out of coca production and into legitimate commercial crops. Yet aid workers report that the Bolivian people knew almost nothing about the American assistance, or about U.S. intentions.

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Meanwhile, a radical activist tied to the coca growers, Evo Morales, ran the only major radio station the remote Chapare region, broadcasting inflammatory messages all day, every day. No other general broadcasting services operated in Chapare, so Morales dominated the airwaves—without any counter-programming. An American development professional wrote yesterday, "We have no effective public information campaign about U.S. objectives in the country."

Morales and the leader of the coca growers' union took advantage of economic dislocation and led the *cocalero* protests that forced President Gonzalo Sanchez de Losada from power on October 17. President Sanchez had been a key ally of the United States in the eradication of cocaine production. Yet he was ousted in a movement reportedly supported by European activists and Venezuelan President Hugo Chavez. The coca growers union leader then told Sanchez's vice president and successor, Carlos Mesa, 90 days to implement the *cocaleros'* agenda to resume large-scale production of the raw material for cocaine. The union leader threatened to continue a wave of violence against Bolivian society and the government if newly-

installed President Mesa failed.

Integrate bilateral foreign development aid with the global war on terrorism

One might easily conclude that the United States has no effective security strategy for Latin America, and that it has willfully abandoned the tools it needs to influence the political climates in the region, while simultaneously not cultivating and supporting many of its friends and allies. It appears that the aid programs hemisphere-wide are uncoordinated and bound by little if any strategic vision. Policy priorities appear to be one-dimensional, in the case of counternarcotics and trade, and obsolete in such areas as military and police security, while development aid continues in isolation of pressing U.S. national interests.

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The Americas is already a significant front in the global war on terrorism, and trends indicate that not only the narcoterrorists but Islamist terrorists from elsewhere in the world will increasingly use countries in the hemisphere with weak or corrupt institutions as bases of operation.

Bilateral development assistance must reward friends and punish enemies. It must never reward enemies or, through lack of full commitment or resources, end up punishing friends. Those approaches only strengthen our adversaries and weaken and alienate those who would be on our side. Aid also must be utilized as a means of reaching segments of society that may become valuable in penetrating, disrupting, uprooting, and destroying terrorist and terrorist-support networks.

We have far to go—far beyond social investment funds. As Stephen Johnson has observed, "Today, counternarcotics and counterterrorism are the main security concerns in the region, and the Department of State—with no apparent resources, training, doctrine, standardized procedures, or evaluation mechanisms characteristic of the U.S. military—is the lead agency."