

Testimony for Gayle Smith
House Foreign Affairs Committee
February 24, 2021

Chairman Meeks, Ranking Member McCaul, Members of the Committee, thank you for having me here today and thank you for taking the time to hear testimony from my esteemed colleagues and friends as we look not just towards ending COVID-19 globally, but to restoring U.S. leadership on diplomacy and development.

I have not in my lifetime witnessed a moment when U.S. diplomacy was more urgently needed or that development was more in peril. One year into a global pandemic, we have yet to see a coordinated global response – on PPE, on vaccines and therapeutics, on the economic aftershocks that threaten to plunge over 30 countries into default and insolvency, or on the systems, norms, institutional capabilities and agreements we need, now, to prevent, detect and respond to future global health threats that we know are coming. In failing to marshal a global response we have extended the lifespan of the pandemic and given the virus ample room to spread and to mutate. And finally, two facts that should haunt all of us, but are little noticed: we are witnessing the first increase in extreme poverty in 25 years, and major setbacks in the fight against HIV/AIDS.

I've seen what the United States can do. We led and coordinated a global response to the Ebola epidemic. PEPFAR, Power Africa, Feed the Future, humanitarian responses to literally hundreds of crises and disasters and billions of dollars invested in improving the lives and livelihoods of people all over the world, backed by a sustained commitment from both political parties, have shown the world who we are while also advancing our own interests. When I had the honor of serving as USAID Administrator, I saw that our development programs, sustained by only a small percentage of our overall budget, have an outsized impact across the globe. I am now proud to be leading the ONE Campaign, a global advocacy organization dedicated to ending extreme poverty and preventable disease. We are continuing to advocate for key international assistance accounts, as outlined in an addendum to my written testimony.

Today, I would like to focus on a few key themes: positioning the United States to lead in responding to the pandemic; revitalizing multilateralism; and revitalizing U.S. capabilities.

Beating the Pandemic Requires U.S. Leadership

Let me start by thanking you for bipartisan support for the \$4 billion for Gavi, the international vaccine alliance, in the last supplemental, and by urging your support for continued and robust international funding in the relief bill now under consideration.

And I am thrilled that just last week the leaders of the G7, including President Biden and his team, were able to lead and leverage this commitment by Congress, and that they also agreed to share surplus vaccines.

I am confident that we can, but determined that we must, go all out on leading the global response to this pandemic – and how we lead matters. This country's immediate challenge is to build a coordinated global response strategy designed to shorten the lifespan of the pandemic and ultimately defeat it. This is a global pandemic; we need a global response.

Last week, the ONE Campaign released a paper showing wealthy countries have secured over 1 billion more doses than they need to vaccinate their entire populations. The U.S. alone has secured enough doses to vaccinate the U.S. population twice and still have millions of doses left over. I understand hedging your bets before, but now, hedging looks more like hoarding. We are now armed with a commitment from G7 leaders, but we need a coordinated plan to share surplus vaccines on a timely basis – and both volume and timing are key. As a recent report by the International Chamber of Commerce reveals, a scenario in which the world's wealthiest countries have vaccinated half of their populations but poor countries have been unable to vaccinate theirs would cost the world \$9.2 trillion in GDP, half of that borne by wealthy countries.

Second and equally urgent, we need to act on the fact that the pandemic has triggered a global economic crisis, and this entails a shift. Most often, when world leaders gather to tackle the global economy, their focus is the G20 and a handful of emerging markets. Low-income countries are too often viewed separately, and rather than being included in a truly global approach, they are on the receiving end of initiatives – some of them great and all of them well-intended – to compensate for the fact that they are in a different category. The facts are that we need the whole global economy to function, and function well – but that the gap between wealthy and poor countries – in wealth, voice, vote, and share of global FDI – is increasing, not decreasing.

Right now, we are faced with the risk of one pandemic with two futures – one for the world's wealthier countries that can mobilize trillions in stimulus funds, and poor countries, who face the risk of default and insolvency. We are faced with a future that sees the world's wealthier countries make the pivot to greening their economies and going digital, while others stand no chance of being part of a new global economy.

We believe that we can do something about this and enable a common future. That is why we are advocating for a new issuance of Special Drawing Rights by the International Monetary Fund with the provision that wealthy countries donate their SDRs to the countries that are unable, in the midst of this pandemic-inspired

economic crisis, to fall back on the tools and resources that we are so fortunate to rely on. And we are confident that if the United States moves, other G7 countries will follow. That is leadership.

Revitalize Multilateralism

It has been encouraging to see the United States re-engaging with the multilateral system – it is critical that we continue to engage, and to deepen the multilateral engagement and other alliances that enable reach, influence, and impact. But we need to approach multilateralism in some new ways.

First, and while many of the international institutions we depend on need reform, the fact is that those institutions are as strong, effective, and impactful as their members enable them to be. That means we need to be appointing top-notch officials to multilateral boards and ambassadorships and own the outcomes these institutions achieve – or fail to achieve - as our own. It is not enough to demand more and better of secretariats; we need to demand more and better from members.

Second, we need to open the aperture on reform and focus on modernization. The World Health Organization, for example, can improve its performance. But advocating a reform process informed predominantly by our experience with the Covid pandemic is not enough – we need to engage in reform with an eye to what we and the world need for the coming decades, and not just the current crisis.

Third, we need to re-engage urgently and boldly with the international financial institutions, and in particular the IMF and World Bank. The IMF has called for a new international debt architecture; seizing that opening to develop a sustainable approach to diverse debt crises could have a major impact on the global economy and on global economic stability. We need to push the World Bank to move more quickly, creatively, and effectively to address the looming debt crisis triggered by the pandemic.

Fourth, we need to counter the widespread public perception that working through multilateral institutions erodes our stature and influence and do a better job of demonstrating the actual impact – multilateral engagement, particularly when and where the U.S. leads, expands our influence. Leveraging our contributions in multilateral institutions, as we have done, for example, with the Global Fund for AID, TB and Malaria, means that we get more bang for the buck. Participating in multilateral institutions enables us to coordinate, lead, and manage the global responses that are needed to tackle the global threats that affect our national security and economic well-being. I realize that all of us here today know this – but we need to do a better job of demonstrating results to the many Americans who remain skeptical.

Fifth and finally, we need to realize that the world has changed. U.S. engagement in the international arena has waned over the last several years, but the world didn't stop to wait for our return. So, as we go forward with the confidence that defines our national character, we must also proceed with eyes wide open: powerful authoritarian governments are actively championing the suppression of civil society and rule by decree while discounting human rights and international norms, China has stepped into the economic void, and Africa is now consistently negotiating and voting as a bloc on key global issues.

Revitalize U.S. Capabilities

I suspect that most of us are aware that many of the government agencies upon which we rely are weaker now than they were several years ago. We have lost talent, we have lost capacity, and, sadly, many of the internal processes which some consider bureaucratic, but I can tell you, as the former head of an agency with a \$23 billion budget and over 11,000 employees, are needed to ensure the effective utilization of taxpayer dollars.

The first and by far most important step we must take is to demonstrate our respect for the women and men who comprise the Civil and Foreign Service. I remember the days, when I was growing up, when those who were drafted into service in Vietnam were abused and accused of all that was wrong about that war. But I have also lived to see Americans convey the respect to our men and women in uniform that they deserve, and understand that when problems arise, the buck stops at the top.

We need to see that same respect given to the men and women who serve as civilians in our government. They have the decency and patriotism to serve every and any Administration, of both parties. They are our institutional memory and the backbone of our agencies. They have wisdom and experience and know how to get the job done. They deserve our respect and our gratitude, but also our support.

Second, we urgently need a revitalized, bigger, and more flexible civilian budget. In 2019 discretionary spending, 54% of the federal budget went to Defense (050 account), while only 4% went to International Affairs (150 account). That makes no sense if our aim is to defend against present dangers while preventing future risks from emerging. We must increase our civilian international budget.

Can there be any doubt that COVID-19 has been as costly in lives and livelihoods as any armed conflict? And yet our "forward posture" in the world isn't on the scale required to defend against or prevent this kind of war.

There is growing concern in this country, and in Congress, about the rise of China and its expanding influence, including in low income and emerging markets. That

influence is increasing because China has a strategy, and because low and middle income countries need capital to develop and drive economies that are not yet delivering at scale but can't access the capital markets. China is making capital available. We can agree that the terms and quality of those capital provisions are sub-par, but a poor country looking to develop its infrastructure doesn't have a lot of options today. The simple fact is that we can't fight something with nothing. By comparison, and even though most low and middle income countries want urgently to diversify their access to capital and actively desire greater economic engagement from the U.S., we offer too little to achieve the scale that is needed. An increased civilian budget is one critical component in solving that problem.

We have the tools – USAID, the new Development Finance Corporation, the Millennium Challenge Corporation, and others. We need to finance them to achieve scale.

Conclusion

Here's the bottom line, and it begins with thank you. During my time at the NSC and as USAID Administrator, one of the things I cherished most was the spirit of bipartisanship that defined my work with this body. While we did not agree on everything, our engagements were consistently honest and forthright, respectful, and driven by the shared belief that America's role in the world matters, and that our commitment to development reflects our values, benefits our economy, and protects our national security. That spirit of bipartisanship has led to great things. And there may be no greater contribution to our renewed leadership than to keep that spirit alive and well.