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CREATING OPPORTUNITY:
FROM THE LOCAL TO THE NATIONAL TO THE GLOBAL

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PARTICIPANTS:

Introduction and Moderator:

WILLIAM ANTHOLIS
Managing Director
The Brookings Institution

Keynote Address:

SYLVIA MATHEWS BURWELL
President, Global Development Program
Bill and Melinda Gates Foundation

PANEL ONE: OPPORTUNITIES AT HOME

Moderator:

KAREN DYNAN
Vice President and Co-Director, Economic Studies
The Brookings Institution

Panelists:

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

PAMELA EGAN
President and Executive Director
Nevada Partners

RON HASKINS
Senior Fellow and Co-Director, Center on Children And Families
The Brookings Institution

GROVER "RUSS" WHITEHURST
Senior Fellow and Director, Brown Center on Education Policy
The Brookings Institution

PANEL TWO: OPPORTUNITY IN DEVELOPING COUNTRIES

Moderator:

HOMI KHARAS
Senior Fellow and Deputy Director,
Global Economy and Development
The Brookings Institution

Panelists:

CAROL LANCASTER
Dean, Edmund A. Walsh School of Foreign Service
Georgetown University

REBECCA WINTHROP
Senior Fellow and Director, Center for University Education
The Brookings Institution

WILLIAM C. LANE
Washington Director for Governmental Affairs
Caterpillar, Inc.

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PROCEEDINGS

MR. ANTHOLIS: Good morning. Thank you for joining us here at Brookings for this special event, which is a forum on creating opportunity in the United States and abroad. This is the second in a series of events that we're doing on issue clusters that cut across the country -- as my colleague Bruce Katz likes to say, that go from the local to the national to the global -- and we call them all Brookings priorities. And they're really all-American and all-world priorities, and we're delighted to have a great audience and some great panelists today to talk about them with you.

Nearly two centuries ago, Alexis de Tocqueville visited the United States and marveled at its unique climate of individual opportunity and economic mobility. The rigid class structures of feudal Europe were absent in America, a land where individuals could hope for a better future if they -- and for de Tocqueville's America that meant exclusively white men -- worked hard and developed skills. From Andrew Carnegie to Oprah Winfrey and Bill Gates, Americans have amazed the world with their entrepreneurial spirit and, on top of that, philanthropic achievement.

In recent decades politicians from humble backgrounds, such as Ronald Reagan and Newt Gingrich on the right to Bill Clinton and Barack Obama on the left, have not only lived that dream, but have made

it a central part of their political careers and rhetoric. And so two weeks ago, when President Obama urged the nation to renew that spirit in the new century, calling on individuals to take risks and reinvent themselves to succeed in the global economy, he returned to a time-honored theme in American politics. And Paul Ryan in the Republican response echoed that theme and that challenge to Americans, declaring that the spirit of initiative determines who succeeds in America.

Members of both parties insist that America's still an exceptional nation, ready to win the future despite a host of challenges. For individual citizens the challenges are familiar: declining home prices, a weak labor market, and sky-high health care costs. For public officials the debt and deficit hang over any and all of these policy decisions. Yet despite these troubling realities there is still a widely held belief that with education and hard work it is possible to succeed in America, and the statistics bear that out. College graduates are four times more likely to be employed than those with no college education. And economists at Brookings and elsewhere have shown that employment opportunities only increase with advanced degrees.

America remains home to the world's greatest universities and our graduates are the most productive in the world. But our high schools and elementary schools are failing often to prepare our students

for the rigors of higher education, and the cost of college tuition is forcing even our brightest to take on greater debt to continue their studies.

Our crisis is not unique. Around the world nations are struggling to provide opportunities for gainful employment and education for all their citizens. In the past, with programs such as the Marshall Plan and through the support of international institutions like the World Bank, the U.S. has helped support development goals abroad and on a global scale. But foreign assistance has a mixed record, as demonstrated by Egypt and others, where a broad development community has improved millions of lives, but often countries have not developed as many had hoped. So as we consider reform at home, we must also continue to perfect our strategies for promoting opportunity abroad as well for those who still struggle to advance.

Now in Washington we're at a period where we're moving from soaring rhetoric to budget proposals. And the question for many Americans is whether we are still the land of opportunity and a beacon of hope for others. So to discuss these issues, we are really delighted today to have a great keynote speaker and two terrific panels.

Our keynote speaker is Ms. Sylvia Mathews Burwell. I always still trip over the Burwell since we've known her as Sylvia Mathews around here. Sylvia grew up in a small town: Hinton, West Virginia;

population 2,880 as of today. I don't know what it was when Sylvia was there. The granddaughter of Greek immigrants, she went on to be educated at Harvard and Oxford, won a Rhodes scholarship. And as I did the math the other day, as a fairly young woman and still a pretty young woman started at the White House as the staff director at the National Economic Council, chief of staff at the Treasury Department, deputy chief of staff at the White House, and then deputy director of the Office of Management and Budget -- a legendary career at a very early age.

And for the last 10 years -- and it's amazing that it's been that long -- Sylvia has been a guiding force at the Bill and Melinda Gates Foundation, an organization dedicated to providing every person "with the chance to live a healthy, productive life." Sylvia has served as executive vice president and as chief operating officer and executive director of the entire Foundation.

The Gates Foundation is perhaps best known for its work on global health, fighting against infectious disease and other health maladies in the developing world. But the Foundation also has two other divisions: the United States Division, with a primary focus on reducing college dropout rates and improving the performance of American schools; and then also the Global Development Division, which Sylvia is now president of. Global Development seeks to provide opportunities for the 2-1/2 billion

people who live on less than \$2 a day and the more than 1 billion people who suffer from chronic hunger. They do that by focusing on agricultural development, financial services, water sanitation and hygiene, and policy and advocacy.

So whether it's in Sylvia's division or in the other two Gates programs, which she helped to conceive and direct, creating opportunity is an all-Gates priority, if not an all-Burwell priority, just as it is here at Brookings. So, we're delighted to have Sylvia lead off today.

Before I pull her up on the stage, I just wanted to give you a quick sketch of what will come after her. To explore the challenges that sit between last week's soaring rhetoric and next week's federal budget we will have two panel discussions led by Brookings scholars and featuring some terrific guests.

The first will be led by Karen Dynan, who is our vice president for Economic Studies and co-director of that program, which will consider America's domestic challenges and feature Brookings scholars Ron Haskins, who is the co-director of our Center on Children and Families, and Russ Whitehurst, who is the director of our Brown Center on Education. And we'll have a special guest of Pamela Egan, who is the executive director of Nevada Partners, an extraordinary public-private partnership that provides a host of opportunity-oriented services for one of

the most severely impacted areas in the nation, southern Nevada.

The second panel will be led by Homi Kharas, and it will feature Brookings scholars Rebecca Winthrop, who's the director of the Brookings Center for Universal Education. And they will also be joined by two guests: Bill Lane, the director of Intergovernmental Affairs at Caterpillar; and Carol Lancaster, the dean of the Georgetown School of Foreign Service.

So, it's a terrific and full day. We are pleased to have you all and I'm pleased to welcome Sylvia to our stage. (Applause)

MS. BURWELL: Good morning. And thank you, Bill.

It's great to be a part of today's timely event. I want to thank Strobe and Bill and Kemal -- all friends -- for their leadership here at Brookings, also for having me come today, as well as their commitment to global development.

We're here today to talk about creating opportunity and upward mobility, both at home and abroad. And we're here to talk about it as budget season gets fully underway, and in the midst of a challenging economic recovery, one that will certainly inform the funding battles that loom on the horizon.

I think I've been asked to kick off this conversation for a couple of reasons. First -- as those of you who already know me -- I'm a

budget nerd. During the Clinton Administration I had the honor of serving as Deputy Director of the Office of Management and Budget. And I enjoyed every minute of it. Well, not every minute. (Laughter.) And second, as Bill reflected, for the past decade I've been privileged to work at the Bill and Melinda Gates Foundation, whose work is very much aligned with the spirit of this effort today.

Bill and Melinda Gates started the Foundation because they believed that every person should have the opportunity to lead a healthy and productive life. That core concept -- the chance to live a healthy and productive life -- is the way we talk and think about creating opportunity at home and abroad.

More than a decade ago, Bill and Melinda read an article about the millions of poor children dying each year from diseases that most people in the United States don't have to worry about. One disease in particular caught their attention -- rotavirus, which was killing half a million children every year. They didn't even know what rotavirus was. At first they thought it was a typo. And they wondered, how is it that routinely we read about plane crashes, freak accidents in the headlines, yet there was a preventable disease killing half a million children a year, and this was the first time that they -- two educated people -- had ever heard of it.

Our world today is filled with inequities like this, inequities that burden people from the moment they're born, often simply because of the circumstances or environment where they are born. Bill and Melinda wanted their foundation to address these kinds of injustices.

But to be successful, they knew they would have to focus the efforts. Our resources may seem large in the universe of philanthropic efforts, but they're very small when considered against the magnitude of the problems that we work on.

So to guide our work, we always start by asking two basic questions. What affects the people with the most urgent needs? And where do we think we can make the greatest impact?

Today, half the Foundation's resources go to our work in global health, which aims to harness advances in science and technology to save lives in developing countries. For example, we invest heavily in vaccines in the hope that by 2025 90 percent of all children will be immunized against diseases like measles, pneumococcal pneumonia and, yes, rotavirus.

Another quarter of our resources go to our United States program, which focuses on improving U.S. high school and post-secondary education, bolstering access to information, and supporting stable housing.

And a quarter of our resources go to the program that I now lead, our Global Development Program, which is what I want to spend the rest of my time discussing here today -- first, on how the Bill and Melinda Gates Foundation endeavors to promote opportunity and advancement in the developing world, and then second, on some of the challenges we face as a Foundation, and as a global development community, as an effort to stimulate what might be part of the conversation that follows today.

The Global development Program began as an effort to investigate what we call “strategic opportunities.” I was tasked with thinking about potential ways we can invest in things beyond our health and, at that time, U.S. high school investments. What guided this process was an intense study to find the most effective ways to make real our beliefs that every person should have the opportunity to lead a healthy and productive life.

In 2006, with Warren Buffett’s monumental, humbling and inspiring gift, these skunk-works became what we now call the Global Development Program. We adopted the mission of increasing opportunities for people in developing countries to life themselves out of hunger and poverty. And we embraced a few key principles.

First, we recognized that philanthropy plays an important -- but limited -- role. We can take risks, move quickly, and help catalyze change. But large-scale, lasting change is ultimately driven and sustained by markets and governments. Our work must therefore strengthen and complement those forces, not compete with or replace them.

Second, we focus our work on benefitting individuals. There are, of course, many effective ways to approach and quantify development but individual people are the lens through which we view and measure success. I have a picture in my office of a little Senegalese girl named Inday, and she's 18 months old. As you can see -- you can kind of see the bucket that she's sitting in. She's sitting in a little blue bucket with her head just peeking over.

And I give a copy of this picture to every employee that starts in the Global Development Program. And I send them a note and I say, "This is your boss." Most people think they're coming to work for Bill and Melinda Gates, but "This is your boss," and I mean it. Every action we take should be for her benefit. She's the one that we really work for.

Third -- as with the Foundation's work overall -- we believe we can have the greatest impact by focusing on a limited number of issues for key sustainable and scalable development. And when we say "scale," we mean that the project must be able to grow exponentially. The

needs are too great for us to be content with solutions that might reach 100, or 100,000, or even a million people. We're aiming for solutions that can ultimately lift 100 million people's lives.

In applying those principles, our Global Development Program arrived in three areas of focus.

Our largest area of focus is agriculture development. History shows that almost no country has managed a rapid rise from poverty without increasing its agricultural productivity. Today, a majority of the more than 1 billion who survive on less than a dollar per day rely on agriculture for their food and incomes. And in Sub-Saharan Africa, agriculture represents two-thirds of employment, and about a third of GDP. If the goal is to help the poorest people get enough to eat and increase their incomes, then agricultural development is a very good bet.

We made our first grants in 2006, and we have committed \$1.6 billion to date, to help small-holder farmers boost their productivity, increase their incomes and improve their lives.

To give an example, we're funding a program called "Stress Tolerant Rice for Africa and South Asia," STRASA -- every good project has a good acronym -- to help develop new varieties of rice that can withstand extreme weather, poor soils and floods. STRASA has made great strides in India where, with strong support from the Indian

government, we've been able to quickly release and disseminate stress-tolerant varieties to small-holder farmers. By the end of last year, more than 400,000 farmers had planted this stress-resistant rice. And by 2017, we hope we'll reach 20 million farmers. Yes, 20 million is the goal.

A second example of our agricultural development work starts with a towel from Macy's. I was going to bring it in my suitcase, but that would have meant I had to check instead of carry on, so you don't get to see the actual towel. But it looks like any other towel on the shelf. But the story behind it represents a better life for 265,000 farm families in Africa. Together with partners in Germany, we're funding a project to help cotton farmers across six African nations grow higher quality, higher yield cotton.

But the Global Program doesn't stop there. It also helps these farmers link to global markets through partnerships with private-sector retailers like Macy's and Puma -- and as well as cotton processors, who have helped these farmers turn the "Cotton Made in Africa" label into a seal of quality. We're weaving a stronger fabric of prosperity that benefits every actor who contributes.

Our second area of focus is financial services for the poor, where we focus on savings, tools that help people cope with crisis and take advantage of opportunities for progress.

Most of us probably opened our first bank account

when we were still in grade school. Yet only 10 percent of the world's poor currently have access to these kinds of services and tools -- which hinders the way they deal with challenges and opportunities.

Our foundation is funding innovation in technological design and delivery that lower costs and increase the value of delivering savings accounts. And what's most exciting is that many of the breakthroughs are occurring in the developing countries themselves. In fact, many of you probably have one of the most powerful solutions in your pocket or your pocketbook right now. It's not your wallet; it's your cell phone.

In Kenya, a mobile money service called M-PESA allows customers to deposit and withdraw cash with the same agents that sell air time minutes for their phones. In little more than three years, 70 percent of all Kenyan households, including half of all poor households, use this beneficial service -- 70 percent in three years -- giving them a powerful tool to improve their lives.

Our foundation believes these amazing results can be adapted by building in savings accounts and spreads to other countries. Take Haiti, for example, where the earthquake destroyed more than one-third of the country's bank branches, ATMs and money-transfer stations. Without that infrastructure, ordinary Haitians have struggled to get access to cash.

We've worked in partnership with USAID to create a \$10 million incentive fund in Haiti to jump-start financial services by mobile phone, and expedite the delivery of cash assistance to earthquake victims -- while laying the groundwork for millions of Haitians to improve their lives through easy access to money and, hopefully other financial services. I'm please to report that just last month we made the first award of \$2.5 million to a Haitian mobile operator called Digicel, which created a mobile money service that allows users to deposit and withdraw money from retail outlets through their cell phones. Eventually its services will include bill paying, payment for government services, and international remittance transfers. It puts a whole new twist on dialing-for-dollars.

The third area of focus in our Global Development Program is water, sanitation and hygiene. Yes -- latrines. My mother says, "That's not table talk." But the fact is half the population of the developing world lacks safe access to sanitation -- which is one of the reasons why more than 1 million children every year die of diarrhea. We're working with a wide range of partners to improve safe sanitation, especially in Asia and Africa, which will yield profound economic, educational and social benefits as well.

Part of the challenge is stimulating demand for safe, sustainable sanitation in communities that practice open defecation. You

can't just give away taps and toilets. Often they don't get used as intended. They get taken apart, they get used as storage. Sometimes they get used as chicken coops.

But if you can win a community's support, that's when progress can start to take hold. So we're supporting efforts that will build local buy-in and demand. We're inspired by the experience in Haryana State in northern India, where more than 1 million latrines have been installed in recent years -- in part, thanks to a public service campaign that linked sanitation to marriage. It was called the "No Toilet, No Bride" campaign. The radio jingle said, "No loo, no I do." (Laughter.) As you can imagine, it's been seen as a great leap forward by women across the region.

So these are three areas of focus, and some of work underway. As Bill and Melinda like to say, "We're impatient optimists." We want change to happen faster and reach farther and go further. Our experience with many of our projects so far reinforces our confidence that smart investments can and will bring real results.

Yet, paradoxically, one of the challenges we face is the ability to think beyond great projects. Because successful projects are incredibly appealing. They provide great stories -- like the towel. But in celebrating projects, we can't lose sight of our goal of systemic change.

We still have to ask, "Can this project be scaled? Can it drive transformative change?"

The answers matter because, ultimately, development needs to be about ending the need for assistance in the first place.

As I said at the outset, we look at our progress through the prism of individual lives. So we take a program like cotton in Africa, and it's reaching hundreds of thousands of farming families -- which is wonderful. But the cost per farmer is actually high. And cotton is a cash crop -- which isn't suitable for every place. We're going to help a huge number of people with that project, and it's very important. But the real question is will we be able to scale it to tens of millions? We're counting on places like Brookings to keep insisting on intellectual rigor, to ask the hard questions, and make sure development resources stay focused on more expanded, long-term change.

A second challenge is ensuring we're acting in the needs and desires of those we serve. It sounds obvious, but given how far away we are in Seattle -- and here in D.C. -- it's easy to lose this connection. Successful businesses actually devote resources to getting to know their customers. *Fortune* magazine recently had an article about Proctor and Gamble researchers spending weeks -- quote -- "-- in the jungles of Brazil, the slums of India and the farms and villages in rural China --" --

visiting people in their homes, learning about their daily routines, asking about their aspirations, gaining clearer understanding of their needs. P&G aims to serve what they call the “\$2 a day customer.”

We’re in a very different line of work, of course, but there’s a lot that we can learn from that approach. If we want our program to have big impact, we need to know our customers, too -- to seek their input, be open to their insights, and to listen and learn from them. When we do that, it can lead us in promising directions that we’ve never anticipated.

In our work with financial services for the poor, at first when we started, we focused on credit. But then, in a couple of our grants, we were teaming savings services, too. And we were surprised to see that the demand for savings was actually higher than the demand for credit.

So we dug deeper. We funded research on how poor people manage their money, asking families to keep financial diaries over a period of time. And what we learned was that the very poor live incredibly complex financial lives -- often relying on a multiple of approaches, from sending money to relatives for safekeeping, to paying a money-guard to hold their cash. As a result, we’re focusing on savings tools, like the mobile money technology I referred to.

Listening carefully helped us -- indeed, forced us -- to question our own assumptions, and opened a new opportunity to spark improvements in millions of people's lives.

Another challenge, and perhaps the most acute here in Washington, D.C., today, is development funding. The question of ensuring funding is adequate, and that funding goes against effective work is a problem that is front-and-center for us at the Foundation, and all of us who work on these issues.

The problem is actually a complicated one. When I joined the Foundation 10 years ago and began our advocacy work, I made a rule. When speaking about funding, no one at the Foundation should ever say "more funding" without saying the phrase "more effective funding." And I think that's even more important today.

The challenge of defining and measuring -- quote -- "good" development is a hard one. We often see a debate that's polarized by simple news-catching approaches, even by people who have deep expertise in the field.

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MR. WEAVER: Matthew Weaver. On that same note the incentive on the 2-1/2 million for -- is that possible to run for a sustainable

and secure program? Is it possible to run it with UniBank and local banks or is there other financial oversight required?

MS. BURWELL: They select. The telcos generally select the banks that they will work with and right now because it's mobile money, the one thing about this is you've got to move from mobile money to actual banking so that you have to get these telcos to connect to the banks and that is what the hope is, and the one place we've seen it is in PESA, the effort in Kenya that I mentioned. They have now joined with Equity Bank so that the two strongest brand names in all of Kenya, Safaricom, that's the telco that does it, and Equity Bank have joined together. There are some issues because they're fighting over the branding a little, but you want it to connect to the formal mechanisms and you want it to connect with the banks on the ground. Generally speaking it is the banks on the ground that want to play, not the large multinationals yet in terms of what we've seen but it is in a very, very nascent place.

MR. UNGER: Noam Unger from Brookings. You mentioned a number of areas of collaboration with the U.S. government, the Ethiopia example, the Incentive Fund in Haiti, and the Gates Foundation has done incredible work on agricultural development and that has caught on now in the development space where we have an International Food Security and Hunger Initiative, we have Feed the Future, the U.S. initiative. What will

be the impact strategically and programmatically to the Gates Foundation's work in agricultural development if those initiatives don't take off? They're at a tenuous place right now in terms of funding. Food security is a major initiative of President Obama, but if he can't get the funding from Congress it's not going to be nearly as robust as envisioned. Does that have an impact on your own work strategically?

MS. BURWELL: It is something we spend a lot of time talking about in terms of thinking through what are the necessities, where are the places we believe the funding really must be there. Some of the core things that I think we think it would be very, very bad to lose, one is Noam just referred to what we affectionately call the GAFSP, but it's the Global Agricultural and Security Food Program. It's a multi-donor trust fund and it is an example of the kinds of things that we will see a cost if that is not funded in terms of right now there are at least I think 10 applications that are sitting that are qualified to meet the standards and we put our technical people on the committees that do the selections. The Bill and Melinda Gates Foundation invested \$30 million in this fund and it is a multi-donor fund that is led by countries' own proposals. The proposals we've seen that come through are of a very high quality so that that's the type of thing.

The funding for the countries in Feed the Future, what it will do is it will stall out. At a critical point in terms of economic growth around the world right now, much of the growth and the places that are growing at a higher rate are in the developing world. You still see African economies with higher growth rates than many other places. By not supporting agriculture which as we heard is one-third of GDP you're going to at a critical point stop the progress in growth that's occurring.

It's also at a critical time. At the time that I've worked in these 10 years on my visits, there is a difference on the ground. When you talk to heads of state, agriculture as they think about their priorities and changing the dynamic for their country is front and center. The question is once one has a lost opportunity because you lose the funding right now, when will you see the opportunity again? The problem is also that we believe that the U.S. dynamic drives others around the world. Having recently met with Mr. Sarkozy, this is one thing we spend our time on is advocacy and we us the co-chairs', Bill and Melinda's voices, at Davos. You meet with all the G-8 heads of state to talk to them about these issues. What will happen is if there are large cuts in the U.S., the pressure will be off the French and the Germans.

With the European community when you add it all together is over 50 percent of all development assistance. It's not just what happens

with our dollars, it's how we influence the other dollars. The other thing is it could undermine. The British have made a great commitment. Prime Minister Cameron has made a great commitment to development but will the British public turn on him when they see cuts in the United States? They're receiving cuts in all of their domestic programs in the U.S., he's maintained protection for both domestic health and development in the U.K. and will that affect his ability to hold? I think the question is it will stall out. There are particular programs where we think it's very important, the GAFSP and the Alliance for a Green Revolution in Africa. Another example is the Consultative Group for International Agricultural Research. That's what started that STRASA research with stress-tolerant rice many years ago. Those kinds of things will make a difference both in the short and long term and then the U.S. impact on others we think could be great.

MR. ARONSON: Matt Aronson. I'm curious in that you've talked a lot today about productivity and particularly about immediate needs and I'm interested in a perceived challenge I have between immediate needs and things that are individual versus systemic needs. For example, caloric intake for an individual or income for an individual versus something like long-term water stable stability or versus long-term ecological or nutrient stability. I know that you're not country focused, but how do you deal with the difference between what might be termed as

short-term versus these long-term benefits for local or a national community?

MS. BURWELL: The question of long term versus short term, by changing productivity, that is the long-term change. By enhancing productivity when you look at the history of the world and changes in how economies move in terms of that transition to become developed economies, it is an increase in agricultural productivity that leads to the long-term shift in terms of you'll increase productivity, you'll change incomes, you'll change hunger. So by focusing on productivity itself we are focusing on what we believe is the long-term play and the play that we've seen historically have impacts both on the individual as well as price impacts for those in urban areas by reducing costs so that that's in terms of that.

With regard to the question, there were two questions I think embedded in the next part of your question, one has to do with nutrition and the other has to do with sustainability broadly defined. With regard to nutrition, it is something that in our agriculture have an entire area in our health team that's focused on nutrition. We tend to focus on zero to 2 in terms of nutrition whether that's breast feeding or health of the mother. We also focus on micronutrients in food. There's an organization called the Global Alliance for Improved Nutrition Gain that does put nutrients in

processed food but that's not enough because many of the people we're talking about don't get processed food.

The other thing that we're doing is we breed. What we do is we breed. Vitamin A is one of the most important micronutrients that is missing for many people in the world. We've done breeding to breed vitamin A into sweet potatoes. Right now over 500,000 of these sweet potato plants have been taken up. The nutrition aspect, when we think of it in our agricultural work, we think about two things. We do the breeding because the breeding expertise sits with us so that we breed for healthier foods. The second thing that we do is when we do our work such as this was a cotton project that I talked about, but our cocoa project is part of the extension where people are trained in nutrition.

The second part of the question had to do with sustainability. When we think about sustainability we think about sustainability as economic, environmental and social. For our work to be successful when we say scale and sustainability you have to have both. Without healthy soils the increased productivity will not last very long. We focus on things like integrated soil health management that helps keep the soil healthy over time. We focus on different types of irrigation that are perhaps more efficient with regard to water use because agriculture is one of the largest users of water in the world. We've funded efforts on drip irrigation which

are much more efficient approaches. It was one of the problems with the Green Revolution. The Green Revolution we believe was a fabulous thing and saved millions of people's lives. It was a very important thing, but there were some critical problems with the Green Revolution. One is environmental, two is it didn't focus on small holders as much so that the question of the benefits going to the poorest of the poor didn't always occur, but at the same time there were many, many benefits. As we do our work we try and focus on things that didn't go as well and think about it and you've raised in your question two or three of them at once. Thanks.

MR. YONEYAMA: Yoneyama, Japanese investment firm. You talked about the G-8 and the European contribution but how about the Japanese contribution, not just monetary but Japan's main food is rice and I think they have GMO or high -- rice technology as well as water purification and so forth. How do you see their contribution at this moment?

MS. BURWELL: We are big fans of JICA. JICA is the Japanese aid agency and have worked very closely with Madam Ogata and others throughout the Japanese government both on our health work and our agricultural work. The Japanese are great players all around the world in both of those areas. You mentioned rice. The Japanese are big supporters of the International Rice and Research Institute where much of

that breeding occurs and we do tend to work with them. As a matter of fact, JICA is a partner of the Alliance for a Green Revolution in Africa. AGRA, the Alliance for a Green Revolution in Africa, is an entity that we and Rockefeller funded that we created outside of our foundations on the ground and they're working very directly with them. So they are a very important partner that we work with directly in the developing world as well as for funding things.

MS. TEASE: Thanks, Sylvia. Molly Tease from the State Department. You had mentioned the importance of Gates' advocacy for your work and if our funding is reduced, U.S. government funding is reduced; it can affect funding from other countries. I'm curious to know if in your domestic education program there is any advocacy for curriculum work to build global understanding, a global mind-set because if our students don't have that kind of an understanding then they're less able to drive our own economy to be internationally competitive.

MS. BURWELL: With regard to the specific of funding curriculum work in the U.S., we don't because our U.S. program doesn't focus on curriculum development in terms of student curriculum development so it's not an area of focus for what we do. I think we think and we're very hopeful that much of our work and our advocacy when we think about it hopefully will impact how students think about things even if

we don't do it directly. Every year Bill does a school tour, a college school tour. He and Melinda visit the schools for young people but goes on a college tour and often speaks about these issues. We do try and use those kinds of opportunities but we do not directly fund the curriculum issue.

There are a number of organizations that we do fund that do whether we fund them directly for that or for other things. For instance, the Council on Foreign Relations does quite a bit of curriculum development in this particular area and while we don't fund them for that, we fund them for other things so that there are some of our partners who do that work but we don't do it directly. I'll take one more question.

MR. SCHNEIDER: Good morning. My name is Dave Schneider from the American Insurance Association. Thank you for your work and your presentation. In terms of financial services, our member companies are doing a lot of interesting work on microinsurance and resilience against natural and man-made catastrophes and I wondered if you were doing some work in that area and was there an opportunity for cooperation. Then one final question. In terms of your advocacy, are you supporting things like the Doha Development Round and trade agreements in order to open markets and maybe support some of the work that you're doing? Thank you.

MS. BURWELL: As for insurance issues, we do fund some microinsurance efforts. One of the things that becomes difficult is figuring out the economics of insurance. If you have to see that the crop is destroyed, sending agents out to do that becomes an economically very difficult thing. We've tried and experimented with weather insurance so that you have satellite measures of rainfall and does that work? We've experimented with it. It also takes a large group, as you know, the pooling risk issues in insurance. We've done some investments and are looking at different types of things. As weather capability gets built on the continent we think that that may be an opportunity on the Continent of Africa for more ability to do insurance. The insurance work occurs in our Financial Services for the Poor work and do some work in that space.

We haven't seen the thing that we think is the knock-out punch. The other thing that has to happen is generally speaking reinsurers. That's also one of the things whether it's Swiss Re or others who we've had conversations with who will be the reinsurers because that's the other part of getting the insurance value chain to work is figuring out the economics as well as that reinsurance component. We're in conversations but haven't come up with the thing. We'll continue to work on it because for the poor farmer, one of the most important things is risk

management and risk mitigation. That's how they become resilient. The second part was?

MR. SCHNEIDER: Trade.

MS. BURWELL: As to the issue of trade in the Doha Round, we support the opening of markets and we support the reduction of subsidies from the developed which is an important part of what would make a Doha Round work. At the same time, where we put most of our emphasis right now is on opening and connecting markets in the developing world. On the Continent of Africa, interregional trade can do a great deal to promote demand for product if you increase productivity. So while we support it, our advocacy is a little more focused on doing the work on the continent using the African Union as well as what are called the Comprehensive Agricultural Development Plans, CADPs, for the countries and that's the place where we spend a little more of our time and attention.

Thank you all so much. Thanks for the opportunity to be here today. Thank you.

MR. ANTHOLIS: Thank you so much, Sylvia.

MR. ANTHOLIS: I'm going to ask everybody to stay in their seats while we get the next panel up because we're right on 10:00. So if

you'll stay in your seats, there will be a coffee break after this panel going into the next one. So for this panel, panelists, please come up.

Karen Dynan, our Vice President for Economic Studies and the Co-Director of that program, will be moderating the panel, and she'll be introducing our other panelists, but I'll quickly tell you who they are, joined by Russ Whitehurst, Ron Haskins and Pam Egan. So wait one second while they get wired and we'll be ready to go.

MS. DYNAN: Okay. We're going to turn back for the panel to domestic matters. I'm Karen Dynan, Vice President of Economic Studies here at Brookings. Let me start by introducing our distinguished group of panelists. You can read their full biographies in the material that you picked up coming in, but I'm going to give you some of the highlights.

So to my right we have Russ Whitehurst who is a Senior Fellow at Brookings in the Governance Studies Program. He holds the Herman and George R. Brown Chair and is Director of the Brown Center on Education Policy. Russ spent many years as an academic before coming to Washington in 2001 to serve first as Assistant Secretary and then as Director of the Institute of Education Sciences at the Department of Education. In this role, Russ was recognized for having transformed the quality of education research by moving the field towards scientifically based evidence of effectiveness. Russ joined Brookings two years ago

and he continues this important mission through his work in the Brown Center.

To Russ' right we have Ron Haskins, who is also a Senior Fellow here at Brookings in the Economic Studies Program. Ron serves as Co-Director of our Center on Children and Families. Among his many accomplishments while at Brookings, he co-authored with Belle Sawhill a highly praised book entitled *Creating an Opportunity Society* which was described as compelling by the *National Journal* and full of excellent analysis and proposals by the *Financial Times*. Prior to joining Brookings in 2001, Ron spent 15 years on the Hill working for the House Ways and Means Committee, where he was instrumental in the 1996 Overhaul of National Welfare Policy.

At the end we have Pamela Egan, who oversees the operations of two of the largest employment and training organizations in Southern Nevada. She is the Chief Operating Officer of Nevada Partners, a non-profit community based organization, as well as the Culinary Training Academy, a labor management training trust.

She is also principal to the consulting firm, Source One Policy in which capacity she consults for the Nevada State AFL-CIO on work force and economic development policy, and she's served on a

variety of commissions in Nevada and is currently a member of the Governor's Work Force Investment Board.

So let me lay some ground work for this panel. This is an extremely difficult period for many lower and middle class families, both because of business cycle developments and because of longer term trends.

So in terms of the business cycle, we've just been through the worst downturn since the Great Depression, and the recovery to date has been slow and uneven. The unemployment rate has dropped a bit, to nine percent, but that's five percentage points higher than its pre-recession level. And moreover, if you include workers who aren't seeking a job because they're discouraged or who are working part-time when they want to work full-time, you have an under employment rate of 16 percent, so that's one in six workers.

In addition, American families have been buffeted by other forces related to the Great Recession. When all is said and done, probably several million households will lose their homes as a result of the mortgage and foreclosure crisis, something that Pamela, being from Nevada, is very familiar with.

Many families are also finding their nest eggs depleted as a result of the economic and financial crisis. Housing crisis have stabilized

nationally, but they're down a third from their pre-recession levels. And the stock market, in which many workers had their 401K savings invested, is still down by about 12 percent relative to its peak.

So what are some business cycle forces? On top of that we have concerning longer term trends that are affecting middle class. The most prominent of these is what's referred to as the polarization of the job market in the United States over the last two decades. In a paper for the Hamilton Project here at Brookings, MIT Professor David Autor documented an expansion in the high skill, high wage occupations, as well as in low skill, low wage occupations, but a decline in job opportunities in white collar clerical, administrative and self occupations and in blue collar production, craft and operative occupations. So this is the decline in manufacturing that we've seen in this country as part of this phenomena.

So this polarization of many markets has contributed to a sharp rise in wage inequality over the past two decades, and, in essence, a hollowing out of the middle class.

These problems are significant and they're exacerbated by our nation's fiscal situation. Of course, the unsustainable long term trajectory for our federal budget deficit means we can't throw money at the problem. We need to, echoing what Sylvia said, we need to use our limited dollars and limited energies as effectively as possible.

So we face these tremendous challenges. There is tremendous promise, as well. The fact is that we live in one of the world's most dynamic economies. The rate of mobility has been high over the generations, which suggest that the opportunity is here if we can cultivate it. Furthermore, (inaudible) opportunity is politically feasible as something that has bipartisan appeal, which is not something that you can say about a lot of policies these days. It was a theme in the President's State of the Union Address, with the President pointing out that behind him sat a former working class kid from Scranton, the Vice President, and someone who began by sweeping the floors of his father's bar, Speaker Boehner, and as Bill Antholis noted, creating opportunities to succeed and prosper for people of all backgrounds was the theme of Congressman Ryan's GOP response to the President's Address.

So that's the ground work. And with that background in mind, let me turn now to our speakers who can share some concrete suggestions as to how we can cultivate opportunity in this country.

So, Russ, let me start with education, since that's usually the first thing people think about when they think about opportunity. It's clearly a priority of many policy-makers, including the current administration, but as you've noted in your own work, the educational attainment of the nation's youth has largely stagnated, following

substantially behind that of countries with which we compete. So can you talk about what the likely and promising levers are in our education system, how can we address the situation, and how can we improve the education of our citizens?

MR. WHITEHURST: Thanks. Well, good morning, everybody. I don't know how many of you had a chance to look at the New York Times this morning since you were here, maybe not, but there is a front page story at least in the digital edition about a change in New York State that's being led by the Board of Regents and the State Department of Education to report out for school districts not only their high school graduation rates, but their college readiness rates. So they've taken performance on the State Regent's exam, correlated it with the ability to pass a college course with at least a C, and are now able to indicate what the college ready graduation rate is for districts throughout New York State.

They reported it only for the five largest districts. So for New York City public schools that have, by most accounts, shown a renaissance of a sort and are looked at as a model for urban reform, the college ready graduation rate is 23 percent. The actual graduation rate is 65 percent. So 35 percent of kids don't make it to the high school graduation exit door, and of those who do, less than half are ready to go to

college without remediation. For Rochester, that rate is 5.5 percent. So we had at least one large urban district in New York State that's essentially failing every student, or almost every student enrolled, in terms of giving them a skill set that will allow them to attend even a community college with a reasonable chance of graduation without a lot of remedial work.

When we turn to post secondary education, I can paint a glass half full or half empty picture there, but for people who most need the opportunity of education, who are attending community colleges or attending for profit institutions, the completion rate is around 20 percent in the better of those institutions, and costs are quite high. We are the world's leader in the cost of post secondary education.

I'm reminded of the visits I would make with my family to my grandparents' farm when I was a young child. And out in back, my grandfather kept an old Dodge that had not started for years. And my grandmother would needle him about this, and the kids would needle him about it, you know, get the car out of the back yard, and his response, which came to be a family joke, is that it's a damn good car, it just doesn't work. And I think that's where we are in terms of education in America, it's a damn good system, it's just not working. And so we've got to figure out ways to get it up off the blocks and move it out of the back yard and

replace it with something that's actually viable and getting people to where they need to go.

H.L. Mencken is famously quoted as saying, "for every complex problem, there is one solution that is neat, simple and wrong", and there are too many people in the education policy arena who have one solution for everything that ails us, and it's a systemic issue, it has many moving parts.

I won't fall into the Mencken trap, I'll give you briefly three solutions so that at least I'm approaching the complexity of the problem by providing you more than just one.

One thing that we clearly have to do a better job of in public K-12 education is human resources, and in particular, teachers in the classroom. How many of you can remember a teacher that was influential in your life, who encouraged you to do things you might otherwise not have done, who, looking back, made a difference? Raise your hand if you can remember such a person. I can remember several of those people. And how many of you can remember a really terrible teacher? Okay. Well, I shared intuitions 50 emerging data on this topic. There are persistent differences in the effectiveness of teachers in the classroom. And they have demonstrable and powerful effects on the progress on children through the system. The difference between the teachers in the

top quartile effectiveness and the bottom quartile effectiveness in elementary school for a child in one of those classrooms, the difference is, one-third of the gap in this country in racial achievement in just one year.

So having a good teacher three years in a row can move children to a point that's substantially different in terms of their progress through the system, through opportunity, and yet we find that school systems currently have evaluation systems in place that are like Lake Wobegon.

As Secretary Duncan said, he thought off the record when he was traveling through New York State a year ago, how wonderful it is to live in a country in which every teacher is above average. We have evaluation systems that generally get pass/fail, in which 98 percent of teachers get a passing grade. We have tenure systems in which teachers are guaranteed employment for life after two years in the Los Angeles public schools. Ninety-eight percent of provisional teachers get tenure. What other industry is so inept at differentiating the kind of performance differences that we all believe intuitively and research indicates are important?

So we need to move to meaningful evaluation of teachers in the classroom. That needs to be tied to better professional development, it needs to be tied to tenure decisions, it needs to be tied to differential

rewards for teachers who are outstanding so that they will be encouraged to stay in the classroom and do the wonderful work they are doing.

There's a movement in this direction in policy circles, there's a lot of push back. One of the things that we've been focusing on at Brookings is how the evaluation of teachers compares with the evaluation of professionals in other fields, and we've surprised a lot of people by pointing out that the correlation of teacher performance from year to year, which is about .35 in a simple correlation, seems low, but that's almost exactly the correlation of professional baseball players' batting averages from year to year, and yet we find no challenge in making decisions about which baseball players to continue if we're a team manager based on their baseball averages, their batting averages, we can make similar decisions about teachers. So teachers are very important.

A second lever, and it was interesting to hear that the Gates Foundation doesn't fund it, I know that they don't fund it as curriculum and instruction. So if we've got a good teacher in the classroom, we need to give that teacher tools that will maximize his or her productivity.

And currently there's almost no investment in the development of curriculum instruction outside of the three large publishers in this country who are preparing materials for a marketplace, but are not investing heavily in designing new and effective materials. We need to

invest in this area. We particularly need to take advantage of digital technologies.

You probably share my intuition that 50 years from now, schools are going to look different than they look now, and the education process will be different, it will be driven digitally, we're not investing in that. One way for the U.S. to regain its lead is to take advantage of our preeminence in digital technologies and drive that technology into the classroom. The final lever I'll point to today is the marketplace. We have a very curious dichotomy in this country, we have a K-12 education system about which there is a lot of data, and that data is increasingly made available to parents in useful ways in the form of school report cards.

If you live in the District of Columbia, you can find out the performance of any particular school in the District by going to the District's web site and accessing the information there. And yet there is no marketplace that can be driven by that information, because by and large, students are stuck with the school that's closest to their residence.

If we could create a marketplace based around meaningful choice, we would likely have some of the impact that marketplaces have in other fields. We heard about micro loans as an example of how marketplaces can be transforming of civil society, we need that in public

education. It can take the form of more charter schools, it can take the form of vouchers, when people dare to go there, and it can certainly take the form of open enrollment in public school systems, so that I'm not, as a parent, constrained to having my child assigned to the Third Street Elementary School if that's where I live, the child can go across town, and we need to make that kind of choice available.

In post secondary education, we have the opposite, we have a lot of choice. We have 6,000 plus post secondary institutions. If you want to go to one, you can. You get a voucher to do that, if you're poor, from the federal government, it's called Pell Grant, you can spend it anywhere you want. But we have almost no information to drive those choices.

We have input variable, as U.S. news and world report rankings, but I can't tell you what the chance of employment is for enrolling in a particular degree or a certificate program at a particular institution.

I might need to make a serious investment of my time and my money and public funds in such a choice and no information to guide that decision. I've talked with a community college president who tells me that the completion rate for their information technology programs is eight percent and the completion rate for their health programs is 65 percent.

Presumably that's related to markets in that particular area, but no student entering the institution knows that. We need to provide strong information on institutional and degree performance at the post secondary level so that students can find programs that lead to what they want, which is often a job, they know the prospects of that, they know the chance of that. We need at least as much information available to people who are choosing to pursue a post secondary degree or certificate as is presently available to them if they wish to purchase a used car.

And the gap between the information sources for those two purchase decisions is so large as to be amazing, and of the consequences for the appropriate choice of post secondary education are life long and provide the basis of an opportunity society.

So we need more opportunity in this country, education is a classic route to do that. We're not going to spend much more on education, we must spend what we have available to spend more productively.

I've mentioned three levers that have the advantage that they cost very little and I think would have a long term effect on educational productivity and opportunity for citizens. Thank you.

MS. DYNAN: Thanks, Russ. Ron.

MR. HASKINS: What?

MS. DYNAN: So much of the policy discussion about opportunity, including a lot of the questions related to education, have to do with government programs or institutions that can promote opportunity. But given your expertise on the family, I was wondering if you would comment about individual responsibility. So what can individuals or families do to enhance their socioeconomic process?

MR. HASKINS: Yes, some of you may notice in many of the interesting things that Sylvia Burwell said, she said ending the need – one of the Gates goals is ending the need for assistance in the first place, which I was delighted to hear, because many foundations do not state quite so explicitly that their idea is that people ought to be able to make it on their own, that's their goal.

We normally think, especially in this city in terms of government programs and how much government does and justices defined as government spending and so forth, and we do a tremendous amount of that.

I don't mean to minimize that. We spend, in 2006/2007, which is the most recent year I could find data for, something like 560 billion on the public schools. We now spend something like \$700 billion on our various means tested programs, not including Social Security and Medicare, but our means tested programs. And the college board tells us

that there's something like \$180 billion in all forms of aid, loans, grants, tax breaks for post secondary education, not exclusively, but substantially directed toward kids from low income families.

So my point is, there is a lot of government activity, there's a lot of opportunity that people have to reach out and seize and that's the key that I want to talk about.

My goal in the next five minutes is to convince you that if people do the right thing and make the right choices, they will do much better economically and other ways, too, but we have good objective measures on the economy.

And I want to tell you specifically about three analyses that we've done that I think really make a very strong case, not only that individual responsibility here is crucial, but that without it, and without an increase in personal responsibility, our programs are not going to be more successful than they are now, which is, I would say, minimally to moderately successful. So first, income mobility, well, in income mobility, we constantly read about how unfair our system is, and all the money is going to the top and so forth, which is not true, we can talk about that if you want to. But consider data from the University of Michigan, it's the best data of its type in the world, and what it allows us to do is to compare

children at roughly age 35 to 40 and their family income with the income of their parents, a generation before.

And here we find out that if your parents are in the bottom 20 percent, so you're from the bottom 20 percent, which is, you know, roughly less than \$20,000 or so, that you have a very good chance of winding up in the bottom yourself. But if you get a college education, your chances of making it all the way to the top 20 percent, which is over \$100,000 a year, quadruples, from five percent to 19 percent.

So this is without any other changes, you get – there's some selection effects here for those who follow this sort of thing, I admit that, but this is such a monstrous impact. If you could think of an intervention that would increase by a factor of four the outcome that you're looking for, I mean it would be a spectacular success. So this is – in the world that we have here in the United States, come from the bottom, get a college education, on average you're going to make it all the way to the top 20 percent. And, by the way, your chances of staying in the bottom, which are normally around 45 percent if you don't get a college degree, plummets to 16 percent.

So if we can convince more kids to get a post secondary education, as Russ has just described, that will have a big impact.

Now, second, we did some analyses of the Census Bureau data, we've done it several times and they all come out the same, roughly. An idea here is, let's think of some really sophisticated, difficult rules to teach a kid to follow. Here's what they are: first, finish at least high school; second, get a job; third, get married before you have children. Those very sophisticated rules that used to be baked into our DNA in the United States and evidently no longer is, if you don't follow any of those three rules, the chances that in a given year you will be in poverty is 76 percent.

The probability you make it to middle class defined is roughly 50,000 or more is seven percent. If you follow all three rules, the probability you'll be in poverty drops to two percent, and the probability you'll make the middle class leaps to 74 percent. And as I say, year after year, you get similar results. So I mean these are fairly straight forward rules, don't even involve a college education or a post secondary degree. They probably do – in the future will a little bit more require some – at least some post secondary education.

And then finally I want to talk about poverty rates, this analysis, again, that we've done several times, and the question here is, if you could change one thing at a time, what impact would it have on the poverty rate in the United States.

So let's start with doubling cash welfare. People in Washington automatically think of – in the Capital, and Nevada, as well, think of government programs, that's their responsibility. So if you double cash welfare, you would reduce the poverty rate in the United States by eight percent.

If you increase education such that everybody would get a high school degree, so just finish high school, if everybody did that, you would reduce poverty in the United States by 15 percent, that's a great achievement, by 15 percent. If you could return the country to the marriage rate that we had in 1970, you would reduce poverty by 27 percent. Family dissolution is a huge part of the story, and family dissolution, as far as I can tell, in many – most cases, is based on individual decision-making, people take a pledge and they break it. I don't think we should seriously do anything to these people publicly because I did it myself, but I still – I regard it as a huge error on my part, and I would encourage all my children never – don't follow in your father's footsteps in this case. But 27 percent, that is – I don't think any program I can think of has ever reduced poverty by 27 percent.

Now, what about if we could make people work full-time, and you take the people the way they actually are, and all you do is describe to them full-time work at whatever wage they make if they work part-time or

whatever wage they would make of the average of other people that have their education background and a few other characteristics, so this is not some kind of – assume they have a college degree, this is take them the way they are and just work full-time, the impact on poverty, it would reduce poverty 42 percent.

And again, this is, I think, is during the recession, and I can imagine people in the audience saying, oh, but we lost eight million jobs and so forth, but if it passes any guide, they're coming back. And we actually did an experiment along these lines once in the mid 1990's, it was called Welfare Reform, and the response was amazing, the increase in work by mothers on welfare, low income mothers in the United States, about 40 percent went to work, and child poverty rate dropped, and do you realize that even now, after the recession, in 2009 at least, the child poverty rate for kids in female headed families is lower than it was back in the mid 1990's, in 1994, and that's because many of those mothers are still working.

So government programs are good, I support government programs, I have all kinds of ideas for how to fix government programs and make them more effective, but those – no matter what reforms we do, until we can penetrate down to the individual level and convince kids, young kids, to make the right decision, these very sophisticated, finish

your education, get a job, get married, then have babies, we are not going to make great progress against poverty in this country or dramatically increasing opportunity. Individual responsibility is absolutely key.

MS. DYNAN: Thanks, Ron. So let's go to Pamela now. So, Pamela, like I told you before, we are so delighted to have you here for a number of reasons. I mean, first of all, you're out there, you know, on the ground dealing with people who are facing the crisis, unlike us scholars, you're from a state, Nevada, that has been hit so hard by the crisis, and third, you're in the training area, which seems like such an important issue, not only for the sake of the individuals involved, it's an issue for the broader economy.

Speaking as a macro economist, I can say that a key policy question is the degree to which the recovery is being held back by a mismatch of skills. Just last week the Washington Post ran an article describing how Fresno, California is suffering from both a very high unemployment rate and lots of job openings because the employers simply can't find the workers with the skills they need, and from a practical perspective, not everyone is going to be able to go back to school to get the formal education. So I was just wondering if you would talk about what you're doing at Nevada Partners and, you know, what the lessons would be with regard to cultivating opportunity.

MS. EGAN: Sure, absolutely, and thanks for having me, it's really terrific to be here, I'm learning a lot. Nevada Partners and the Culinary Training Academy are two programs that are (inaudible) together and share a management structure and work very, very closely together. We're a sector focused, labor management set of training programs that also represent the public/private partnership, because through the non-profit side, we bring in the public work force system and the public education system.

We work with adults and dislocated workers, and we also work with youth, we work with a lot of immigrant workers, and we're primarily focused – we're focused on the hospitality sector and the construction sector. And then through the recession, just because we really needed to make sure that people had access to jobs wherever they were being created, we started to look at small business as a sector, as well.

And we've learned over the last 12 years or so some lessons that we believe are key to why public/private partnerships, sector focused and labor management based training programs really work in terms of moving people forward.

For example, we're a place where an immigrant worker can be in the country for just a few weeks, spend three to four weeks in

training, and move into a position where they can start earning \$30,000 a year with fully employer paid health insurance, a pension, an opportunity to move up or laterally in their industry, and the ability to send their kids to school.

So why can we do that? In Las Vegas, we can do that, in part, because of the jobs that we send people to are worth it, and that's because we have a high union density in the hospitality sector. So there's pressure, there's a structural ability to make those jobs worthwhile for people and to make sure that they have benefits.

The same is true in construction. The jobs are also plentiful enough to make a meaningful impact on a large number of people, so we've got the volume and the density in those sectors, as well. Although when the recession hit, what were the two hardest hit sectors in Las Vegas, hospitality and construction, so we've had a fun ride the last couple years.

And because we're based with labor management partnerships, we're tied to real jobs. That means training is meaningful to the employers in the sector because they help write the curriculum, they measure the curriculum constantly and make changes when it's necessary, we can respond to employers in real time, and it results in an industry recognized credential. So, for example, in the hospitality sector,

somebody who goes through the Culinary Training Academy training is considered to have a year of experience in Las Vegas.

But also because there's a labor management partnership at our base, the training is designed to meet the needs of workers. It's scheduled on their days off, it's accessible to them, it's located in places where they can get to, it's trusted by workers because they hear about it through their union and other trusted partnerships, and so it's really worth their investment, okay, and the investment of their time, and it's also delivered by workers who have actually done the work in the industry.

Third, because it's a labor management partnership based project or model, it's sustainable. Employers in our industries contribute. In hospitality, it's four cents per hour worked by a union classified employee, that's between \$3 and \$4 million a year, and then we can leverage those public dollars on top of that.

We also have some business based models that bring in additional revenue. So it's sustainable because it is that collective bargaining relationship that brings those dollars in. And because of that base, it really helps us attract additional private dollars and public dollars.

Also key we believe for this model, things that – lessons that can be learned in other sectors is that training is portable. The industry

recognized credentials allows workers to move within their sector, okay.

That's key, again, for workers.

And then the training is successful because it includes bridges, and it really has a variety of entry and exit points for workers that allow them real mobility. We focus a lot on low income and moderate income workers and workers with significant barriers to employment, and that means that we can't just address a slice of an individual. What makes a person successful and what puts a person in a position to make good choices and really fully achieve their potential is a whole variety of things.

And so workers need to make sure – we need to make sure workers have access to math training, language training, an opportunity to get their GED or high school diploma if they don't have one. And then there needs to be a set of work support. If I don't have child care, it's very unlikely that I'm going to be able to sustain that job. If I can't get to work because there's no good public transportation or because I don't have transportation, I'm probably not going to be able to get the job, much less keep the job. I need some support in developing the soft skills that I need to succeed, et cetera. And we know nationally, when we look at these kinds of training models, that the ability to look at the whole person is really key in whether or not the programs succeed and the individuals succeed, so that's really critical.

And training is tied to placement, because the key stakeholders in the partnership are all looking for their own return on investment. The employers and the workers who are putting the money in want to see what the return on their investment is, as does the public system.

And finally, the training structured the way it is in Las Vegas builds an infrastructure that can respond in real time to the needs of the industry, to the needs of the workers involved in the training, and the needs of the public system. So when we see something is changing because there's a set of individuals focused on doing this work, we can move at the speed at business all the way through sort of, if you look at it as a business model, through the distribution chain and the supply chain and make the changes that are necessary to respond, and we've really learned that that's the case throughout this recession.

So the kind of training that we promote really looks at sectors as whole economic eco systems and makes sure that when any one actor or relationship changes, that we have the ability to respond in ways that are strategic about how that's going to effect the whole eco system.

MS. DYNAN: Terrific; so I actually – I have a question that I want to put to all of you or all of you that want to answer it, which is, you

know, there is this question that went to Sylvia when she was speaking about, you know, what does she worry about in terms of funding being cut, you know, that would then thwart the Gates Foundation's mission or what they're trying to do, and that is a terrific question because they're entering the period of fiscal austerity between concerns over the budget, the fact that we are probably going to hit the federal debt ceiling in a couple of months, and the new Congress I think, it's just clear that there are changes on the horizon. So I was wondering if I could just put the question to all of you as you think about, you know, what might happen, what might be caught, or what might be just mishandled during this period that might thwart what you think needs to be done in your area? What's keeping you up at night? So, Russ, let me start with you.

MR. WHITEHURST: Well, funding is not keeping me up at night, though I'm sure it's keeping a lot of governors and state superintendents up at night. The federal government has historically been about a seven percent funder of public K-12 education. That roughly doubled as a result of the stimulus bill. It'll go back to seven percent. I don't see draconian cuts in Congress in the education bill the Obama Administration has already sent out to marker that they will try to protect it, and so if it went from seven to six percent, it's not, again, a huge thing.

What's happening dramatically is in state and local budgets, which has been devastated, and, you know, if they're paying 90 percent of the cost of public education, clearly, there are going to be cuts there.

They're not going to be easy, and I think we'll see a sorting out of states and localities that make those cuts with an eye towards the future versus making those cuts, the short term goal of getting through the next year or two. And the future oriented cuts will be, for example, bringing technology to bear for the first time, a productivity of K-12 education, so that you might retain a more highly qualified, but smaller work force, and augment their efforts with technology, bringing more distance education to bear so that we're not stuck with a model of a certain number of hours of seat time in a particular building that a child has to go through to get educated.

That may be an advantage of the crisis, because it will cause a focus on these kind of productivity enhancing investments that may have been put off if the good times had continued.

MS. DYNAN: Ron.

MR. HASKINS: I think we should apply a little logic to this situation. I would love to have the chance to grasp every member of Congress by the throat and say consider this. We are going to cut spending. There are some people who apparently still doubt that. Read

the reactions by democrats in the paper this morning and last week to the republican announcement that they're going to cut the (inaudible) of \$34 billion, which is – this is like a footnote in what's going to come over the next five years.

So if we're going to cut money, then the question is, how are we going to decide what to cut. This is what really bothers me, because I've been in Congress, I was a staffer with the Ways and Means Committee for 15 years, I worked in the Senate for one year, and so many decisions are made on a basis that has a lot more to do with politics and who the chairman is and who the president is and what their priorities are than any kind of logic.

We should, obviously, cut the programs that have the least productivity, and some of them even do damage, like the agriculture program, that's \$23 or \$24 billion right off the bat that we could get. This is what they're all, you know, miserable about, about the cuts in appropriations, there's \$23 billion in money that a lot of economists say actually does more damage than it does good, but certainly no one argues that it does a lot of good, so that's what we ought to do.

Now, if we do that, I think that Russ' programs are going to be relatively safe, especially if we think through this in the sense of what

they could do, not so much what they do right now. But we need education programs, we've got to improve them.

The Obama Administration and the Bush Administration I think have been the two best administrations for trying to improve the quality of education and the quality of evidence that we have to evaluate whether it works. Programs like preschool programs especially I think have among probably, in my view, the strongest track record, even though Head Start is not getting the job done.

So my answer is, we are going to cut, we should cut, we have to cut for the sake of our kids and grandkids, and we've got to cut a lot. We also need increased revenues, that's definite, we need to increase revenues, but we're going to have to cut, but we need to do it on a reasonable basis, and to the extent possible, we should begin by cutting the programs that are least productive and protect the programs that are the most productive.

MS. DYNAN: Pamela.

MS. EGAN: So at the federal level, my biggest concerns would be that we stick with the sort of history of funding, training and work force development programs in a siloed fashion, you know. As I suggested, we think it's much more successful to look at economic systems or economic eco systems, and when there's not a lot of

resources, we're going to have to probably focus on that mismatch that you mentioned, looking at workers without jobs, looking at jobs that are going begging, and figuring out how we try to move people or get people trained to move into those. But what that does is, it puts us in a position to forget about all of the other pieces of the puzzle, and what that tends to do is leave workers who are already at the low end of the scale stuck there.

What we know is that those workers, you know, only 22 percent of low wage workers are likely to get on the job training compared to about 40 percent of workers in higher wage occupations. And 40 hours of on the job kind of work based training is equivalent to a year of education in terms of how it can move somebody in their earning capacity.

So we're not going to invest incumbent worker training and in the supports that move people forward because we just won't have the resources to do it.

At the state and local level, the concerns are those that we've touched on, education cuts. The people that will be coming into the work force will be that much less well equipped. In Nevada, we're looking at huge cuts to our K-12 system. We work with those kids on a daily basis, that's who does the work, that's who's going to be doing the work in five years, that's going to be devastating, make our jobs a whole lot harder. Cuts to the mental health services, substance abuse services,

child care, transportation. Again, human beings are whole people, we can't just focus on what they do at work, we have to focus on all of the things that allow them to achieve their potential.

And then cuts to the higher education system. Even though we primarily focus on jobs that don't require a four year degree, but do require additional training after high school, the job creators that happen at the level of higher education, if we make the drastic cuts in higher education that we're looking for in Nevada, we will slow or stop economic development, and we won't be creating new jobs for the people that I trained to go to, so that's what keeps me up at night.

MS. DYNAN: Excellent; you know, Ron, if I could just take you back to something you said in your comments. You alluded to Head Start, so can I get – it's an area of expertise for you, preschool, education, I was wondering if I could get you to expand on what you were saying about the problems with Head Start and what else we need to be doing for children in preschool.

MR. HASKINS: I'd like to begin by pointing out that I've been writing critical articles about Head Start I think since the early 1980's, but I never wrote one as hard hitting and dramatic as my colleague here on my left about the most recent Head Start evaluation, the results of which were really amazing. Head Start has virtually no impacts after one

year, and the impacts even – right when the program ends are somewhat questionable and very modest at best.

We make serious recommendations in our book about preschool programs. The key is that preschool – the way these get sold to legislative bodies is just increase the funding in preschool and everything will be fine. And as Head Start shows, this is \$900 – let me see, I'm sorry, \$7 billion, and 900,000 or 950,000 kids a year, it's, by far, our biggest program, and yet it's not producing impact. So that demonstrates pretty clearly, you can't just put the money out there.

I think – I'm completely in league with Russ on this one, the most important ingredient is the teacher. And we have – we've got lots of studies about preschool in the United States, including some that are almost like national random assignment studies, and the quality of teaching, the quality of instruction, generally the quality of environment, we have several scales that measure this, is moderate, on average, and there are plenty facilities where it's below moderate, and relatively few facilities where it's really good.

So here we have this intervention that we have lots of studies show could have a powerful impact on children, and yet, on average, it doesn't have a powerful impact on children, including Head Start. So we need to improve these programs, and the number one thing

we need to do is have better teachers, and then I also agree with Russ, they need to have better curriculum.

We have a lot of people working at the preschool level, and we have some I think quite good curriculums, three or four that I know about. So I think the biggest thing here is figuring out how to get higher quality teachers in the classroom.

And as always, money is the issue here, because 70 – 75 percent of the cost of preschool program is personnel, and if you have to have good directors and good teachers, and we know that many of the teachers that we have now basically make, you know, \$13,000 -- - \$15,000 a year, it seems pretty pitiful, and it is, that is going to be a big expense. So if we want to put a lot of our kids in a high quality preschool program and increase their achievement scores, their reading and so forth, and their social and emotional development, which is a crucial dimension, by maybe half a standard deviation, perhaps even a little bit more, which would at least half way close the gap, and really good programs maybe more than that, we're going to have to spend some serious money on teachers.

And, of course, it's hardly necessary to point out your previous question about, you know, that we're going to be cutting money rather than spending money. And even the states, which are a crucial source of

funding here, are, if anything, in worse shape than the federal government.

So this is a real conundrum about how we're going to do it, all the more reason we should not be cutting preschool programs, in fact, we need more investment, especially in higher quality teachers.

MS. DYNAN: Panel or Russ, do you want to jump in on this?

MR. WHITEHURST: There's a study that was released by the National Bureau of Economic Research in the last few weeks that, for me, is the most impressive study to date on the effects of early education and teacher quality. It takes advantage of the Tennessee class size experiment, which was a study done in Tennessee 25 years ago that involved – it was an attempt to see if reducing class size mattered. What was really critical for the study, I want to describe to you briefly, is that both teachers and students were randomly assigned to classrooms within schools.

Researchers have access to IRS data that looks at the labor market outcomes and college going outcomes for those people 27 years later. Differences in teacher quality in kindergarten classrooms have substantial effects on earning ability in early and mid adulthood and

substantial effects on college going and the quality of colleges attended, one year of the difference between good and bad teachers.

I mean all the other research we've ever been able to look at for long term effects of preschool has involved 60 kids in the Perry Preschool Program or 80 kids in the Abecedarian Program. You know, these are thousands of kids with real data on labor market outcomes, and for me, it's striking and convincing evidence that early education is important and a high quality teacher is the most important component of that. The teacher effects far outweigh class size effects in terms of impact on outcomes. So I think Ron and I are singing off the same page on this.

MR. HASKINS: Let me just take 30 seconds to emphasize something. Notice the difference in what Russ just described and many of the studies or preschool programs we have. The typical study of preschool program has a good program and then some kind of control group which tends to be whatever else the kids get in the community, okay.

In this experiment, you identify the kids that got good teachers and then asked the question, what happened to them. So you're guaranteed that you have a powerful intervention because you're picking the best teachers, that's in the design of the study. And there you see humongous – I mean this study approaches being unbelievable.

There's such an impact from one year, kindergarten year could reverberate into adulthood, and the difference is the teacher. So this I take to be extremely powerful evidence. If we can prove the quality of teaching for kids in preschool programs, it would have an enormous impact on opportunity in America and would do a lot to reduce our race gaps in achievement and in income and probably in marriage rates and so forth, so this is just critical. Could I ask Pam a question?

MS. DYNAN: I think she – yes. Do you want to answer anything –

MS. EGAN: We don't work with early – with kids at that age, we work with kids starting at age 14, so we see the effects 14 years later. And many of the kids at 14 and 16 that we're working with are parenting teens themselves, and they're the ones who have the least choice. You know, we've got 14 year olds that already have three children, and they've got the least choice of trying to find those early childhood education opportunities for those babies.

And so, you know, you see those effects all the way through. And so, you know, whatever the solution is, we have to find it, because the reality is, well, we all know that that's our future, we've got to intervene somehow, and let's work together to figure out what that intervention is that really works across the spectrum for that 14 year old that I'm working

with today and for folks who might have a little more access to those opportunities.

MS. DYNAN: Ron, before you ask your question, if I could just fire up on, you know, something you were saying, which is whatever it is that works, so this is actually a question for you. I am familiar with this (inaudible) essay, it's a fantastic study, it's by Rachete and several co-authors, it was written up in the *New York Times* last summer.

But my question is, what they could tell was that classes with certain teachers performed better, but do we know what makes for a good teacher, or is the answer that we'll never know that, what we can monitor is teacher performance or outcomes, so we'll never be able to say, you know, this is what you need to do to teach well, but we can't tell who's a good teacher and who's not, so I'm just curious about the state of knowledge on this.

MR. WHITEHURST: The state of knowledge is that we – that on the job performance is, by far, the strongest predictor of on the job performance, and anything else we look at, teacher credentials, training, degree of professional development, years of experience, a little bit, but almost everything else we look at has very weak to no relationship to performance in the classroom.

It can't be that way forever, we just can't be satisfied, but we're going to put these people in the classroom, and we don't know how they're going to do, and some will be good and some will be bad, and let's figure out how to weed out the bad ones, you know. I do a lot of flying, and I thank God that airlines don't work that way, you know. Put a bunch of pilots in there, if they crash the plane, we'll kick them out, and otherwise, you know, they're with us for life.

So, you know, we need to figure out how to train teachers. And I think the Gates Foundation in its domestic U.S. investment, to go back to our initial speaker, has made a major bet on large scale observational studies of teachers in the classroom, first identifying those who are effective in raising test scores and those who are not, but then asking, what's the difference between those who are good and those who are bad, and if they can provide us that answer, then the next step is, well, of those dimensions on which they differ, which of them are trainable, and how do we train the bad teacher to be mediocre, to be good enough, and I think there's real promise there, and that's the future for teachers, is to have training and professional development programs that actually work so that, you know, as the Culinary Institute can train a chef, so can schools of education and professional development providers produce teachers who are good enough to get the job done. We don't have that

now, we don't know how to do it, but I think we will in perhaps the not too distant future.

MS. DYNAN: Ron, your question?

MR. HASKINS: Yeah, I just wanted to ask a quick question. I've been visiting employment training programs for three decades at least, and I visited the Culinary Institute in Las Vegas, and it blew me away, I mean it's just amazing what they do there. And I think, you know, I thought about it then and we talked about this, I've thought about it since, I think the single most important ingredient is the relationship between labor and the training itself and the employer community, that is really the key.

First of all, they're training people for jobs that actually exist; secondly, the people that go to that institute can look back two months and see the class of people who went before, and guess what, they're working now for, you know, \$14 -- - \$15 an hour, benefits, and so I think that is the big difference.

Now, our employment training programs in the United States, and we've had a lot of it, we've spent tens of billions of dollars, they have tried to duplicate this, they have tried to work it out. The first organization was called a PIC, I don't know if you remember those, but

Private Industrial Counsel, and half of the members had to be local businessmen, and yet it has never worked out well.

What could we do from a public policy perspective to ensure this link? Can you think of things that we should do that would improve the link between the employer and the training?

MS. EGAN: Well, you know, this is often controversial, but help workers organize unions, because it is the labor management partnership that –

MR. HASKINS: That's a frequent solution among the republicans, they want to organize those unions.

MS. EGAN: Well, we can chat about that. But the truth is, is that what ties the employers to our program is the labor management relationship which is a work based collectively bargained relationship, so that's one. But, you know, there's also -- - sector work that looks sort of like this can be done. I don't think it's done quite as well, it doesn't have the power structure there, it doesn't have the institutional structures there to support it, but it can be done in a non-organized relationship, set of relationships, as well, but again, what's missing is the strong ties and level of trust and worker voice, but there are examples of where it can be done, so that's one piece.

The second is to look at strategically shifting some of our funds away from the individual based employment training system. So, for example, the current Work Force Investment Act System is really focused on the individual and an outcome for that individual. If we start to look at systems and sectors and figure out ways to help support the development of those kinds of sector based programs that, again, are holistic, that's another policy shift that can be done.

And, again, (inaudible) has been looking at that, you know, for years, and reauthorization of WIA, you know, is always a challenging process and will probably be different now that we have a new Congress, but there are those policy things that we can take a look at.

MR. WHITEHURST: Could I respond to your question?

MR. HASKINS: No. Yes, of course.

MR. WHITEHURST: You know, to beat a drum I was beating previously, I do think providing much better information to the people who seek out employment training can be a solution to this on a wider scale. Since that information is presently not available, there is no strong incentive for those institutional leaders, whether they are community college leaders or for profit firms, high education entities to actually make sure that they are providing training that fits into the needs of employers and produces employability.

If that information were publicly available so that I'm making a choice of institution A versus institution B and certificate A versus certificate B, would make the choice that's driven by real employment outcomes. The non-responsive providers, those who haven't adapted to employer needs, who are not providing services at the time that is convenient for people, who are not doing all of the things that are happening in the program we've heard described in Las Vegas, they're going to be hurting as a result of that and will either close or get better, and I think that's the republican answer to how you might deal with this.

MS. DYNAN: Actually, let me just – we're going to open it up for questions in a second. I want to press Russ a little further on this. Just – I mean you started off talking about New York State, you know, it was another reporting issue, reporting college readiness rates, and I'm just curious about your views about whether this is the federal government's job or whether it's the state's job, you know, and what exactly are you talking about, are you talking about more regulations? I just – I guess can I press you a little more?

MR. WHITEHURST: Sure, I mean I think that's a wonderful question, particularly in today's political context. We have a new republican House that is very conservative and is I think going to address

in one way or another the issue, what is the appropriate federal role in education.

I think a strong case can be made for one important federal role being using its funds, its regulation, its power to see that as much information is available as possible to people who are consumers of education products.

It seems to me fundamentally no different for Congress to require that Wall Street be transparent than it would be for it to require that education providers be transparent in how they're operating and their outcomes, and I think that's something that I think republicans and democrats can agree is an appropriate role for federal government. So our current federal report cards are really kind of impoverished set of requirements. You have to have test results disaggregated by race ethnicity, and grades three to eight graduation rates, why not, something about college going rates.

So we could look at a particular high school, we could see not only how many people graduated, but how many people from that school enrolled in college, how many of those people completed.

How about even employment outcomes connected with particular high schools? They're available in Florida, why couldn't they be available nationally? They're not available to the public in Florida, why

couldn't they be available to the public in Florida, to the public every place else? I think that kind of information provision seems to be a very appropriate federal role and one that would strengthen our educational system, and again, not cost a lot.

Information is not free to provide, but it's not extraordinarily expensive compared to many of the other options that are available to us.

MS. DYNAN: Okay. We have some time for questions from the audience, and we've got people walking around with microphones. If you have a question, raise your hand, and please identify yourself and where you're from. And also just – since we are running a little short on time, if you could just keep it to the point, that would be terrific. So let's start over here.

SPEAKER: Russ, early on you mentioned the whole dynamic, and one of the things you pointed to was textbooks and the transition effects, books to maybe electronic media. How do you see that being fostered?

And I pointed to – I thought of that when you said it because my very first job was with Prentice Hall Publishing, and the key thing had little to do with the content and had much more to do with the textbook commission, and it was all about marketing, pre-marketing the book, it was to make sure that they were going to get a lock-in, and that if they did,

then they would go ahead with the publishing, this had nothing to do with the overall civic, you know, education, whatever was going on, it was a very sort of market driven economic, baseline driven issue, and that was true 40 years ago, much more true now, and I assume it was true, so what we've got is, you know, 50 plus years, and I think we could take a look at where our product which is being used in the classrooms has not delivered. It's a factor, I mean it's not the thing, it's a contributory factor to everything. So where do you see us maybe moving into the electronic, where we could short circuit this high cost?

MR. WHITEHURST: It's a wonderful question and a critical problem. I mean to know anything about how the large publishers operate is to be depressed about variability to move us to the next generation of instructional media.

One possibility, and it was discussed at a forum here at Brookings about three weeks ago, is the idea of making available for developers a pre-approved sale, if you will, that's available to those who will produce a product that achieves a particular goal.

So what if we need new instructional materials in middle school mathematics? We surely do because the present ones are pretty terrible. And what if we need them to be electronic, so that they can be

used by people in a rural community who don't have access to necessarily a good math teacher, how would we do that?

Well, what if through using the levers of the federal government or state government we would guarantee a sale of a certain number of units of such a product given that it could perform according to specification? Now all of a sudden there's an incentive there for developers to invest. If you talk to the big publishers privately about their electronic products, they'll tell you they're using the same teaching engines they were using 25 years ago, they just slap a new and attractive interface on it and sell it as a new product.

It's very expensive to develop these materials, and there needs to be an incentive for the market to do that, and I think something like what I've talked about might work.

We could, for example, at the federal level, use the federal defense schools, Defense Department schools, which can make such decisions and say, look, there's a sale out here for such and such a product that will do this thing, and I think you'll get developers moving there once there's a market.

For electronic media at the district level for distance education, one of the primary barriers is that districts have to agree to provide student credit for taking advantage of education delivered through

another provider. So the district is in a position of needing to approve its competition, which, not surprisingly, doesn't happen a lot. So you could think about the federal government taking a role in accrediting distance learners providers so that they could provide education across state borders, at least for Title 1 funds, which is the major source of money that's available for the education of disadvantaged children, free up the control of those funds from the local district, and have them available for students and students' families to purchase distance education.

Again, it would provide a marketplace that could be filled with developers. And then you need results. So you need to be able to judge whether these programs are working by whether they, in fact, produce achievement, and with that, I think you'll get a marketplace that doesn't exist now.

MS. DYNAN: Okay. There are actually two questions over there, the woman in blue, please.

MS. FORLAW: Hello, my name is Blair Forlaw. Over the last two years I've worked with over 1,800 IT professionals who have lost their jobs in the St. Louis area due to the recession. There have been some brilliant self taught geeky geniuses in that group, but for the most part, these are people with college degrees, and in a lot of cases, a history of on the job training. And I just want to say, while I agree with your

emphasis on post secondary education, this is not adequate in the world of continuous change that we're in. What we found was, if you think about all the 45 year olds who are in their prime earning years, many of whom have children whose college educations they're beginning to pay for who lose their jobs and can't get back into the labor market, what we found, one of the big differentials is, do they have that entrepreneurial attitude and hunger for continuous learning and recredentialing.

And we've really beat ourselves up trying to figure out how you teach a 45 year old to want to go back and learn java when they've been a cobalt programmer for, you know, 15 or 20 years.

Maybe the answer is the kindergarten teacher, I mean I don't know, but I'd just like to raise the point that continuous learning, career long, and that appetite to pursue learning independently of any government programs that may or may not be available is essential to opportunity, from my experience.

MS. DYNAN: Okay. And does anyone want to respond on that?

MS. EGAN: Could I just comment a minute? It's really true, and it's not unlike what we saw when manufacturing went down in certain sectors of the country, when the natural resource industry started to

decline, and we see it today in IT, in the higher tech occupations, some college occupations, and even in construction.

If I'm an adult entering maybe the second half of my working career or somewhere in that piece and I've been making \$60, \$70, \$80, over \$100,000 a year as an electrician or something like that, or working as an IT person, or in any of those places, when the economy shifts, when a major shift occurs and a massive number of people end up out of work in that industry, the likelihood that we will ever get those individual families back to where they were or those individual workers back to where they were is extremely low, and we haven't yet learned that lesson or figured that out.

Some of it had to do with mobility, because often times the jobs that have the skills that those workers could more easily transition to are somewhere else in the country. And again, people are whole people, they have families and communities, et cetera. And so we have to as a nation start to look at how to address these. We know this is going to happen, it happens over and over. I just, you know, mentioned four examples. And so we've got to figure out as a nation how to address the real needs of human beings with the real needs of the labor market in ways that make sense.

And I think the point about life long learning, building that into us as workers makes sense, and there are structures that allow us to do that, and many of them are work based.

MR. HASKINS: One good thing is that economic studies show, correct me if I'm wrong, that Americans are really willing to move, and they do move for employment, and that's a very good feature of our economy and of American people, and that is the kind of innovation, that they're willing to pick up and go somewhere where there are jobs available, so that's something good for us to work with.

MS. DYNAN: (inaudible) I mean I think right at the present time, the housing problems are making people more sluggish because of people who are stuck in their homes, but I think as a, you know, looking at the longer term, we are a high mobility country. There's a question over there.

MR. CHATTOPADHYAY: I'm Soumya and I'm at Brookings, but I also teach at the University of Maryland in a graduate program. And I'll piggyback on the same sentiment, that many of the students that we see in these grad programs are in their 30's and 40's and 50's, but in the faculty, when we discuss course contents, still the primary focus being those who are entering the labor force the first time rather than retooling and retraining themselves, and it's not just the recession, it's just – I mean

(inaudible) of what are terminally used to be ten years, 15 years has dramatically changed, and that's not reflected in the curriculum or the options that even grad schools are offering.

MS. DYNAN: There's a question over here in the aisle.

MS. CHANSONG: Hi, I'm Rose Chansong, I have a two part question. Do the panelists feel the teachers union a possible partner for changes or could – is it hindrance? The other one is, do you see any part of our education system can be outsourced? I have particular the pre-K program in mind for cost effectiveness and also for more innovation teaching.

MS. DYNAN: Good questions.

MR. WHITEHURST: Well, teachers unions have until recently been very resistant to evaluation systems that would be tied to different consequences for different teachers. The greatest good for the greatest number has been, you know, the general approach.

But I think there's greater flexibility, at least at the national level, particularly for evaluation systems that are aimed at identifying the most effective teachers and providing both incentives to stay in the profession, to work in hard to staff schools, and to serve as models and mentors for less effective teachers. So I think there is – there's promise there, and I think that's, you know, I think that's important.

In terms of outsourcing, I'm not perfectly sure what you mean by that. I mean we have an interesting pre-K system in that with the exception of Head Start. It is largely a series of mom and pop operations. It is, if you will, a kind of mirror of our post secondary system, lots of independent providers, and, you know, in most geographical areas, you can choose where to send your child, and that's supported by both federal and state funds in kind of voucher like ways. You know, I think the challenge for such a system is to get all the independent players providing the kind of education that prepares children for school and employing the sort of people who are capable of providing that education. It's obviously harder to do in a fractionated system than it is in a government run system, but there's also greater opportunity for innovation and match to what parents want in such a system.

So I think that's a challenge throughout the education system, to take advantage of, you know, our history in this country, of providing a variety of educational experiences in environments, but doing it in a way that allows the consumers of those services to know what they're getting and to choose the service that's best fit for them.

MR. HASKINS: I'd like to add just one thing, I agree with everything Russ said. The one thing I want to add is, we don't have any choice except to work with unions. You think we're going to abolish them?

Maybe it was a mistake, maybe it's too bad the teachers unions have so much influence, but they have it, it's going to last for a long time, and we have several examples, as Russ pointed out, where there are local unions that have been willing to work with educators and to work out systems of evaluation. And labor unions I think all over the country, not universally, but have often been willing to consider quality production as part of the, you know, their role in running their union.

I think we had a great negative example here in Washington for all the things that the superintendent did. You know, it was constantly butting heads with the union. Now, I don't know enough about the individual situation, though I think some of that was probably necessary, but I think PR and public school people, especially the superintendent and his people saying reasonable things about the union and waiting until the last possible second lured them into deals and bargains and how important this is to children and so forth, they do a lot better that way than with constant confrontation with the unions, because I really – you don't have any choice except to work with them.

MR. WHITEHURST: You know, I've always been burdened by the ability to see both sides of most issues, and so if I had to put on a hat of, you know, supporting a union role as a progressive factor in education, I could point out that the state in the U.S., that's the highest

performing of the 50 states, Massachusetts has entirely unionized teacher work force, and most countries that seem to do better than us in international exams around the world also have organized teacher work forces.

So it is possible to generate strong educational outcomes and unionized involvement. There are, however, particular challenges. And I think the work rules around the tenure pay based entirely on number of years of experience and a kind of antipathy to careful evaluation of performance are things that need to change and I think are changing.

MS. EGAN: It's not my area of expertise, so I would just be offering opinion. What I do know is that it's always true in the work that I do that you want all of the stakeholders at the table. So I think to have such a huge stakeholder absent and to get the buy in and really work cooperatively with all of your stakeholders, to do anything less than that would be a mistake.

MS. DYNAN: Great; let's see, we're running short on time. I can see one, two, three, four more questions. Why don't we just – Adrian, if you could just go around and take everyone's questions, we'll collect them, and then you guys can respond. So the gentleman in the suit, the brown jacket, back row, and the beige jacket over here.

MR. MARTIN: My name is Brian Martin, I was the Policy Director and Chief of Staff for Congressman Gene Taylor until recently, involuntarily – I have several points, but I'll stick – I'll do one.

In regard to teachers and curriculum development, I can remember we had a teacher from Mississippi, from Pascagoula, a middle school teacher who was the winner of the Christa McAuliffe Program, whatever, which solicited ideas and projects from teachers who worked in math and science, and she had a program, it was engineers in the classroom, she brought some local engineers in, she engaged the kids to do some practical things like build a bridge, you know, design a bridge, then she became a reader for the program.

I talked to her when she came back up here as a reader for the program and she said, oh, these teachers have some great ideas and some great projects, so she asked the Department of Education, well, what are you doing with all these winning projects, they're over there in the file cabinet. I mean there was nothing done to actually disseminate successful programs out there, and that's the sort of dysfunction that you see all through the government, and also, you know, the problem that you have in things like the job training programs. They'll staff the congressional delegation to the Gulf Coast with Speaker Pelosi and Jim Clyburn and all there meeting with Louisiana state officials, and the State

Economic Development Director asked for more tax credits and more work visas, not for a construction training program for all the unemployed people of – and those are the kind of dysfunctions that just – it's just poor management of – of basic management of programs that's falling apart.

MS. DYNAN: Okay. Just hold your responses for a minute. Let's go back there.

SPEAKER: Hi, my name is (inaudible) I'm a student. I think that we've talked about students, we've talked about teachers, we've talked about the government, but I think we're omitting also an important part of the puzzle, which is the intervention of parents in the day to day supervision of the education that their children are getting.

So my question to you is, what incentives can governments at every level design to improve that supervision and that active intervention of parents in the education of their kids given that a lot of the current system actually prevents them from being effective in displacing their kids to other schools and so on and so forth, for example? So given that we have to work with unions, what can parents do and what can government do for parents to improve their intervention? Thank you.

MS. DYNAN: Great; the back row, please.

SPEAKER: Hi, (inaudible) from Washington. I just want to – I mean I agree with all of you about the importance of getting a college

degree, but what do you think about all those people out there with masters, PhD, languages that are still unemployed?

MS. DYNAN: Okay. And I think we have – this woman in the third row that's been waiting patiently, I know there are a few questions we're not going to get to, but we're going to take a coffee break shortly, so you'll get a chance to ask the panelists your questions. Go ahead.

SPEAKER: I've been very interested in a sector that we haven't talked about yet, and that is our fantastic land grant college system in the United States. And I've been particularly following President Simon at Michigan State and looking at how she has transformed a land grant college into a world grant college, what she calls. It started with study abroad in India 30 years ago, then they got a Title 6 grant from the Department of Education and funded a regional area studies program. Then they started recruiting Indian and Chinese students. What was happening was that the Indian and Chinese started businesses in East Lansing, and so she started working with Governor Snyder, and they tied into local export development programs, they got a special deal, State Department visas to incentivize small businesses.

I see this starting at University of Maryland, College Park, and I'm really interested to know to the degree to which this is a trend,

could be a trend. We're talking about developing opportunities, an eco system. How can we make our community colleges or support our community colleges using maybe mechanisms we already have to become drivers of economic growth through building competitiveness?

MS. DYNAN: Great, okay, four interesting questions, comments. Let me give you each a turn to respond to whatever you'd like to respond to. And also, if you have any closing comments, that would be great, as well. So, Russ.

MR. WHITEHURST: Federal programs are mismanaged, yes. I worked in the federal government for eight years, in the Department of Education. We don't have a ministry system here with, you know, large numbers of employees who are responsible for actually dealing with education on the ground. That's one reason I think we should maintain a more modest federal presence in education.

But when I try this out on people, they tell me, wherever you worked last is the most incompetent place you've ever experienced, so there's mismanagement throughout the system and we do need to –

MR. HASKINS: You better not say it when you leave Brookings.

MR. WHITEHURST: I'll never leave Brookings except in a box, so there you go. Supportive parents, there are some programs that I

think are effective in doing that, particularly with parents of younger children. One of the really interesting unreported facts from the recent PISA examination, the international examination of 15 year olds, country scores around the world, is that Asian American students in this country perform better than Asian Americans from Asian countries, and in the same schools that produce, often cases, mediocre outcomes for children from other ethnic backgrounds. That's largely a parenting and culture effect, and we need to figure out ways to convince parents to convince their children that personal responsibility, effort in school, working hard are what pays off, and the better we can do a job of – do a good job of doing that, the easier the job will be for schools to get their work done.

Our post secondary system is very entrepreneurial, that's the nice thing about it, so Lumina and other foundations are focused on increasing productivity, and I think the lessons learned are going to be really important. And, yes, there are unemployed PhD's, but the unemployment rate is about a fourth of what it is for people with lower education.

So it's still a good bet, but you need to be wise about whether you're going to major in, you know, music or – the higher education institution in this country with the biggest gap between the cost of attendance and the annual salaries learned is the Berkeley School of

Music in Boston, a great place to go if you want to get a degree in jazz performance, a terrible place to go if you want to amplify your annual earnings. So consumer wisdom and information is still an important part of the process.

MS. DYNAN: Ron.

MR. HASKINS: I want to just add one thing about parents. Actually, I want to add two things. The first thing is, I would – Russ already did this, but I always cite the example of Asian parents, that Asian kids in the United States that their performance is spectacular, I doubt all those mothers are Tiger mothers, but I think there is – it's clear evidence that there's something important that happens in the home, that the parents do directly or how they arrange the environment and motivate their children that we should learn about.

Secondly, though, on the down side, we've had lots of experiments, lots of studies, going all the way back to the '70's, that tried to – especially in preschool, that tried to help parents do a better job – our kids and making them ready for school, and those studies have not produced very good results.

So what you say makes sense, but I don't think we yet know very much about how to really get the parents to do things that will actually

assist the kids in their performance in the classroom, and we should figure it out because it's there.

MS. DYNAN: Pamela.

MS. EGAN: Also on parents, we do provide some programs for parents to help them advocate for their kids and navigate the public school system. We think about our parents in, you know, various different sort of categories; one are parents that are really able and available to be engaged in advocating for their children; and then there's a group of parents that are so economically stressed or socially stressed for whatever is going on, there may be substance abuse issues, some other things going on in the family, as well, or just straight economic stress that they're not as available and able to advocate, and so one has to work with that group of parents differently.

And then there are the parents who just aren't there. A lot of young people don't have access to a caring adult who can intervene for them. And so I would – as we craft solutions, they have to be solutions that work for all of the folks in the system that we're looking at.

MS. DYNAN: Great; well, I really want to thank all three of you. This has been just fantastic. And I feel like I could, you know, sit here for another hour and just hear more about these topics. So thanks to everyone for your comments, as well. We're running a little bit behind

schedule, but we're going to have a coffee break now, it's going to be a quick coffee break. So just run out and come back and we're going to start the next panel in ten minutes.

(Recess)

MR. KHARAS: Thank you all very much for joining us on this panel. We're going to move this discussion now back away from the domestic opportunities, back towards the set of global issues that we started off this morning with Sylvia Mathews, and I thought that before going into the panel discussion it would be useful to set the stage because there are some obvious similarities between what we've discussed with the domestic sets of issues. I mean, we've talked about the difference between individual responsibilities and public policy responsibilities, we talked about the difficulties of finding evidence of, you know, what really works and how to bring that to bear in terms of public policy. So, there are a lot of similarities in the types of questions that are important, but there area also, I think, some quite important differences and we talked about the differences in just scale. When Sylvia Mathews was talking this morning she made a bit point of emphasizing scaling up in their approaches and when you start to think about having global impact, this question of scaling up, I think, takes on a very different dimension than what it does domestically, and of course as soon as people started to talk

about the international dimensions, the issue of corruption in governments came up and that's also something which is quite different from the domestic programs.

So, there are some similarities but there are also some differences and I think that here when people talk about why does the U.S. provide foreign assistance, you have two distinct but very strong strands of thoughts. You have the moral imperative, the desire to help people regardless of where they are. You also have the arguments that are about this is actually in the U.S. national self interest, this is an important part of our investment in a more prosperous world and a more prosperous world also implies a more prosperous United States, and the U.S., of course, is the largest international donor. It is the creator of most of the institutions that we have to support international development, and its economy is actually the model both for what opportunities exist, in terms of dealing with a global economy, and also of the vulnerabilities that exist when you're exposed to that global economy.

So, if you think about emerging economies, if you think about what's happening in development today, you immediately start to think about the opportunity side of things. Today, is one fact, there are over four billion people who are living in countries whose per capita income has been growing at more than 3.5 percent over the whole of this

last decade. That means a doubling of per capita incomes every twenty years and anybody who is in an export business -- - and you'll hear from one of them -- - knows that the markets of the future are abroad. So, you can't really deny the enormous opportunity that is being presented by development but at the same time I think it's very obvious that there are all kinds of fragilities. We've had food, fuel, financial crises, they've taken a tremendous toll, and I think today, although causality is perhaps difficult to really pin down, I think you see in places like Egypt that this kind of suffering doesn't always take place in silence, so there are these links between development and stability that we need to think hard about.

So, let's come back to some of these numbers and some of the scale. A billion people living on less than a dollar a day, a billion people in developing countries living in slums, a billion people in developing countries living in fragile states that are vulnerable to conflict, and probably a billion children being born in developing countries in places where there are no jobs being created. That's the kind of challenge, I think, that's facing us with development. Most countries are off track to meet most of the Millennium Development Goals and even in dynamic emerging economies you have millions of people who are not benefitting fully in the growth opportunities that are being created there.

In that kind of new landscape we talk about development

assistance really as something that it needs to change, we've got new challenges, we've got new players, you have to worry about the issues of countries turning to countries like China as models rather than the United States, and so loosely, I think, the whole framing of development assistance has moved towards something that here is called smart power. So, I think that what we're really going to do in this panel is talk a little bit about what does smart power mean, and in particular, what does it mean in terms of its implementation when we're in such a budget-constrained environment.

So, now let me turn to our panel, and Carol Lancaster, on my right, is the dean of the School of Foreign Service at Georgetown University. She's also had a number of distinguished positions in government and perhaps, most importantly and most pertinently to this conversation, as a Deputy Administrator of U.S. Agency for International Development. She's written very widely on the topic that we're going to discuss and has actually written the book called "Transforming U.S. Aid: United States Assistance in the 21st Century."

Rebecca Winthrop is the director of the Center for Universal Education at Brookings. It's dedicated to research and policy to educate the 300 million children in developing countries who are not in school and also dedicated to actually teach those children who are in school

something meaningful and useful so that it's not just -- - as we heard this morning, there's a big difference between being in school and actually learning something that will help you in a productive life.

She has worked in many front line states across the world from Kosovo to Sudan to Pakistan and Afghanistan.

Bill Lane, right over on the right -- -

MR. LANE: Appropriately.

MR. KHARAS: Appropriately -- - told me he has the best job at Caterpillar, Inc. He's the Washington director for their Government Affairs, a leading business advocate for free trade and global engagement, somebody who was a member of the bipartisan commission, the HELP Commission, that issued a report called "Beyond Assistance" in December 2007 on reforming U.S. foreign assistance and one of the things I really liked about that report is that I think it has the clearest problem statement of any commission report that I have ever read and right up there in the executive summary it said, "Our foreign assistance system is broken. We ignore this reality at our peril."

So, with that, let's perhaps start on the panel discussion and I thought that what we would try to do is maybe have each of you reflect on the same question from each of your vantage points and maybe we'll start with talking about the ability to make public policy in a field where

there seems to be a huge amount of misperception of what is actually going on.

We've just seen polls that show 71 percent of Americans think that foreign aid is the most expendable item in the U.S. budget. We also see those polls that say that people think that foreign aid constitutes 25 percent of federal expenditures. When asked how much it should constitute, they say 10 percent. How much does it constitute is actually 1 percent.

So, there's this huge gap between what people think -- - what they think should be done -- - what is reality. That surely really complicates the ability to think and make public policy on this front, Carol, and people are talking about cutting development assistance by large amounts. What would happen if development assistance was cut by one quarter? And what can we do to try to make sensible choices here in the face of these huge misperceptions?

MS. LANCASTER: So, we have three hours and forty-five minuets to answer all of those questions? Thank you very much.

MR. KHARAS: Yes, you can go through the whole book.

MS. LANCASTER: Thanks very much, Homi. Take a couple of the questions, and I'll be a little provocative, if I may. You mentioned when you did the set up, as I think they say on electronic

media -- -

MR. KHARAS: I'm the straight man, you can be the comic.

MS. LANCASTER: -- - is that -- - you touched on the purposes of U.S. aid and of all aid, and I just want to throw out a historical -- - as I see it, a historical fact. U.S. foreign aid has always been given for multiple purposes. The two main ones have been the ones you mentioned which I will call diplomacy and development, these are the ones that are talked about most in Washington today, and the diplomacy part of it, really up until about 1990, was the Cold War, and to some extent, the Middle East peace.

We had -- - the end of the Cold War presented a challenge for redefining the importance and role of U.S. aid in foreign policy and you can almost see the dip in U.S. foreign aid during that period of time. There were other things in play as well, but I think it might have been relevant.

U.S. foreign aid has doubled in the last couple of years. I would -- - having been in this business for a long time, I was -- - I still remain shocked about how rapidly it's increased. Admittedly and importantly a good bit of that involves aid to parts of the world where we have major security interests -- - Afghanistan, Pakistan, Iraq and the Middle East. But what that says to me is -- - what I have seen in the

historical record -- - these two purposes, security and development, or diplomacy and development, go together, and when one is weak, foreign aid becomes a less easily supported tool of U.S. foreign policy.

What's carrying it right now, I think, very much, is the high level of focus on U.S. security interests in those key parts of the world that I mentioned. So, just not to contrast the two -- - diplomacy and development -- - but to recognize that they really do go together in a political sense in this country; they need not sit in the same room and they do a little bit of different things, but I do think they're politically -- - it's politically important to realize that, and that is, in a sense, what's behind 'smart power'.

The phrase 'smart power' is probably used in as many ways as the word development is used, you can take your pick, but I think what the Secretary of State and others have been talking about is combining the traditional tools of diplomacy and military activity with softer elements in foreign policy including foreign assistance for development and other purposes.

So, let me just sort of use that as a scene setter and then let's -- - let me say two things. One is, actually, I don't think it matters a whole lot what the American public thinks about foreign aid. We see all these polls, and you can see it in Europe and other places as well,

because the American public, in my experience, is normally passive and permissive when it comes to foreign aid. Yes, people will stand up in town hall meetings when you have a member of Congress out there in his or her district and say, why are we wasting our money on foreign aid, but I think that that doesn't turn into high political pressure for or against unless one of two things happens, and this, I think, is also shown in the historical record -- - people become very energized in supporting aid when there's a major humanitarian disaster. This is a public that's quite generous, wants to see its government being generous, and that you can see a boost, and you can see it in the historical record of aid giving.

When there's a major problem of corruption or a huge disaster involving mismanagement, you can see support plummet and that, again, energizes the public, but in my view, between those times, you have, you know, as a foreign policy or foreign aid policy person you have to try to inform the public -- - you can't ignore the public, but they're not going to push you in one direction or another until a crisis happens.

But having said that, we do have an unusual situation right now in this town and that touches on your budget issue. There is without a doubt going to be a real effort to cut the federal budget deficit in this Congress. I don't think we know the complete outlines of that yet and the notion that foreign aid is the most expendable of U.S. expenditures

actually may in truth be right. It is not legislated in law, so it is a discretionary program that can be increased or decreased as the Congress or the Administration, together, wish and cutting it doesn't have the major effects on domestic production in politics as it might -- - as we might see with cutting Social Security or something else.

But, of course we know that foreign aid is an essential tool of our foreign policy and so we can go through the usual litany of things that will happen if it's cut. I want to predict to you what's going to happen if it's cut and I want to predict it on the basis of what I understand as the priorities of U.S. foreign aid.

I actually went through the numbers yesterday. If you take total U.S. foreign economic aid -- - I'm not talking about military aid now -- - on the bilateral side we're talking about \$30 billion a year, and on the multilateral side it's another \$2 or 3 billion. So, let's put the multilateral aside. Those are commitments -- - we don't always keep our commitments, but we often assume we will. If the Congress cuts foreign aid, let's say by -- - people are talking right now in terms of the FY11 budget, the one we're dealing with right now -- - by anything between 4 and 17 percent, and nobody's really sure what the base is that people are talking about yet, and so it's not entirely clear what we're dealing with, but if we take 10 percent, what will be protected? Two things will be

protected, I think, U.S. foreign aid to the sensitive areas of the world I mentioned -- - Afghanistan, Pakistan, Iraq, Jordan, West Bank Gaza and one or two other places. That amount of money is roughly \$5 to 6 billion. I don't think anybody's going to cut that, that's the heavy-duty security stuff. Whether it's doing its job or not is a totally different question.

The second thing that I think will be protected is aid for fighting HIV/AIDS and associated diseases, but especially HIV/AIDS. If you take the money in what we call the PEPFAR Program, the program that George Bush set up, we're looking at about \$5.5 billion per year. A considerable portion of that -- - and I don't know exactly what it is, some of you may know -- - goes to fund anti-retroviral drugs. If we were to eliminate those or cut them back, we would be complicit in the certain death of the people whose drugs are now no longer available because they usually don't have other sources. So, I think that's going to be protected and that has a lot of political support behind it from HIV/AIDS activist groups, and not unimportantly, from the Center for Disease Control which gets a lot of the to programs out there.

If you protect those two pieces, you're protecting 40 percent of the aid program. The rest -- - if that's what happens, these cuts will fall on the rest of the aid program and what I think that means is they will probably fall on the more development oriented part of the aid program. I

have no idea where those cuts will be taken, but whatever happens -- - and the more they are concentrated in a particular part of the program, the bigger the proportion of cuts will be in that program. And the more these cuts -- - if these cuts are on the overall aid program for FY11, then they're going to be much larger in terms of what's left because FY11 is already half over. We've got all of these things here.

We could see a major effort at cutting, and then comes FY12 and next year's budget which President Obama has not yet sent to the Hill. There will be another round there too of cuts and Obama's -- - I suspect Obama's budget will have cuts in it, and those cuts, I suspect, will also be applied to FY11 because that's just the logical thing to do.

So, we are looking at something that could be quite dramatic. Not sure of the outlines yet, not sure of the details, probably not as dramatic as some of the cuts that are going to hit domestic programs. That's what my friends on the Hill tell me already, and that's because foreign aid has been tucked into the general security presentations that the Administration makes and I think the less supportive groups are willing to accept the security rationale for foreign aid even though they're not perhaps interested as much in the humanitarian rationale, and so here we see the interplay of these two rationales that have been with us since the beginning of U.S. foreign aid. We see them playing out and we will see

them playing out in the next couple of months as the Congress begins to do its work of cutting the foreign aid budget.

Stay tuned.

MR. KHARAS: Let's stay a bit on this theme and, Bill, maybe I'll ask you to -- - just, Carol said what people think doesn't matter, it really all depends on the politics of it. You're part of that politics of it. So -- -

MR. LANE: By way of background let me just provide a little background from a business perspective. If you were to ask an average business executive 25 years ago the whole issue of aid, the answer you'd probably get in a very vitriolic way is we believe in trade, not aid. That used to be sort of a basic theme that was constantly reinforced.

In recent years, probably the last 10 plus, that theme is no, we need both aid and trade. I mean, if you've traveled through Africa and you saw the affects of HIV/AIDS, you're not going to be seeing any great economic growth until those issues are addressed. So, you've seen a transition there. The business community is probably more supportive of trade liberalization than it's ever been and trade liberalization not just from a quota and tariff standpoint but also from an infrastructure standpoint, also from a capacity building deal.

Secondly, if you look at the NGO community, the

perception was widely 15 years or 20 years ago, was very anti-trade and I think what you've seen over the years, and I've played a role with the U.S. Global Leadership Campaign, you've seen sort of a coming together. We lobby together for the 150 Account, so we have a robust budget. We lobby together, it's sort of a strange bedfellows coalition, about 150 companies, 250 NGOs, and we sort of start finishing each others' sentences and it's been a good exercise as far as building camaraderie and trust between the two communities, but more than anything else it's been effective, and as Carol said, regardless of what the general perception is, the 150 Account has been one of the fastest growing parts of the budget. And I think right now this is a good time to pause and sort of refocus what you tend to hear as the sound bites from the media and what the reality is.

From a Caterpillar point of view, and we're one of the country's largest exporters and most successful U.S. manufacturers -- - for the last three years we've exported more products to non-OECD countries than OECD countries. That's a pretty remarkable change. And that even includes the fact that Chile, last year, joined the OECD, which is, by the way, a pretty big export market for Caterpillar, and so I mean, this is a trend that's accelerating.

Most of the focus is on the advanced developing countries,

the so-called brick countries, but that's sort of broken out beyond that. I mean, you know, in Latin America and Africa and parts of Asia, you're really seeing a change. So, from a business community standpoint, there's more and more focus in what we would call non-traditional markets.

Now, do we believe there should be more trade with -- - make it easier to trade with these countries? Absolutely. And here is sort of a mismatch in that business is tending to be the folks that are talking about duty free, quota free for the LDC countries much more so than the NGO communities. The language is the same but we really mean it.

Republicans tend to embrace it every bit as much as democrats or at times even more.

Where are we today? And this is, I think, one of the most remarkable situations. We're going into an obvious -- - we're going to go through an exercise of deep budget cuts, a great scrutiny on the budget. The last parallel would be 1995. But there's a lot of things that have changed between 1995 and today. One is that you don't hear -- - I mean, you can always pick up the occasional sound bite, but you really don't hear the vitriolic comments about, you know, getting rid of foreign aid, the Pat Buchanan type comments. You know, now it's going to be a discussion on where best to spend our money, and as we lobby the 150

Account, we're going to have to be more careful, we're going to have to use the word better far more than the word more and we're going to have to be specific, what programs actually work and which ones aren't we sure about and which ones don't work.

When we were with the HELP Commission we'd travel around and we'd ask -- - you know, everywhere you go you get to see the best projects, you know, and they'd always show us the most successful project, and some of them were very, very interesting. And after a while we said, you know, we don't want to see the best project, we want to see the worst project. We want to see the biggest waste of money you've ever seen so that we can learn from our mistakes.

So, they'd take us over to a World Bank project and it was never a USAID project, but -- - but the point was, you know, you can learn by mistakes as well, but I think we're going to have to be a much more specific when we talk about aid in the future and in the tendency to generalize.

Secondly, I think we're going to have to share the successes and, you know, I've been with Caterpillar for 35 years and I've been doing the lobbying function for 25, and after -- - you know, a lot of times you're caught up in the moment so you don't really see the historical significance, but I would say now, in reflection, that Bill Clinton was probably this

country's greatest free trade president and George Bush 43 probably did more to help poor people around the world than any U.S. president, and neither one of them got one vote because of it. Nobody voted for George Bush because of what he did with the MCC or PEPFAR or the malaria programs and nobody voted for Bill Clinton because of NAFTA or the GATT Uruguay Round or China PNTR. They didn't run on those issues. But I think somehow we've got to remind Republicans that the Republican Party has been very, very responsible on this issue and needs to always -- -- you know, Republicans are always going to focus on efficiency and that we -- - that's a legitimate debate and we have to remind Democrats that we recognize that they recognize that this is an interconnected world and there is -- - international commerce is one of the greatest drivers to help poor people.

Lastly, we've got to be a lot better on the way we talk. When I was doing the HELP Commission, you know, you tend to focus on things you know or you think you know, so I would focus on the fact that we have the highest -- - we collect more tariff revenue from poor countries than we do from rich countries and, you know, Bangladesh, who we give 60 -- - the country we give \$60 million a year in aid, we collect a half a billion dollars a year in revenue from the products made in Bangladesh and the same is true in Cambodia and a few other places.

So, I talk about trade and the fact that we need to be much more aggressive on duty free, quota free.

The second issue I focused on was we have to bring moderate HR, human resource, capabilities to the foreign service. They're sort of caught in the dark ages there and the compensation schemes and the incentive schemes that were designed after World War II no longer really -- you know, people don't go into organizations anymore thinking they're going to work there 35 years and we need to be much more flexible on letting people enter and re-enter and pursue their career in multiple paths.

And then lastly was the issue of branding. You know, we traveled through Egypt and Jordan and Haiti and South America and very -- you know, part of it is, you know, we don't take credit for what we do, or very rarely do, the big exception, by far the brand that was the strongest, was the Peace Corps. Everywhere we went, high marks across the board. People in this country know about the Peace Corps, people outside the U.S., great brand. But if you ask people what's USAID, eh, sort of so-so. If you ask them what PEPFAR was, if you asked them what -- I mean, it just didn't exist, and very, very low recognition rate. But really what became even more apparent is when you came back to the United States and you started talking about this. You know, not only do

we not get credit for what we do overseas, often, and sometimes maybe that's warranted, but the U.S., we don't celebrate our successes.

Whether it's the mainstream media or the cable media, you know, if you want to see development work, you've got to watch BBC or other venues. It's just -- it's just clear, we've got to do a lot better job talking about our successes.

So, I'm going to end with just a quick -- quick success story. You know, we've got a lot of good examples but by far my favorite was we were in Northern Honduras, and one of the development programs that they were particularly proud of was an ag diversification and the idea was to get the Honduras farmers, general about two hectares, to grow something other than rice and beans and if they could grow sweet potatoes or onions or oriental vegetables, they could see a doubling or tripling of their income. So, working with USAID and the Agriculture Department and what have you, you know, it was very, very successful. A gentleman came up to me, he says, you know, I started that program. That was Aaron Williams. This is before he was named director of the Peace Corps. And it was sort of nice the fact that it withstood the test of time, and it was pretty impressive. So, at the end of these things you sit around in a circle and people talk about their examples, and there was one lady farmer who was, by far, the most articulate and, you know,

(inaudible) and I asked a question, I said, "If you could grow anything, if you could grow anything, what do you make the most money on?"

And she sort of lit up and she says, "You know, Commissioner Lane, for eight weeks in the winter -- - for eight weeks in the winter we own the American cucumber market. We own it."

Now, here's someone that has two hectares and they're talking about owning -- - you know, you thought they were a cartel, and they -- - but anyway, long story short, that's great, that's an interesting story and I was more taken by her passion than by the fact that, you know, we can get cucumbers in the winter. But I came back to Northern Virginia in this nice suburb and we were having a holiday party and I was telling the story just the way I told it to you all, and there's a couple there, former military, and they said, "You know, my husband and I, we love cucumbers, and we notice at the Safeway we can now get them in the winter. But, you know, they charge a dollar each for those cucumbers, and our reaction was, Safeway's ripping us off." They said, "If we knew that money was going to help the woman in Northern Honduras who owns the American cucumber market, we'd be buying a lot more cucumbers, we'd be buying pickles."

On top of that I talked to the folks from the MCC and they said, you know, "We have to improve the north/south highway in the Port

of Cortez in order to get cucumbers and other things to the U.S. market.”
And what do they need for that? They need Caterpillar equipment. And
what do you do with Caterpillar equipment? I get a bigger bonus check.
And what do I do with that bonus check? I go to Safeway and buy
cucumbers.

My point is, we’ve got to be much better talking about trade,
aid, commerce, development. Folks in Honduras get a higher standard of
living and the folks in Great Falls, Virginia have a higher standard of living
because they now have cucumbers in the winter. We’ve got to be a lot
better than this.

Let me leave it at that.

MR. KHARAS: Thanks, Bill. I think you really set up
Rebecca because you talked about doing more about being very specific,
what we do better, not what we do more. I don’t think you can get more
specific than the Center for Universal Education. I mean, that’s a very
focused kind of area, so Rebecca, you know, is education -- - is universal
education -- - really a focused area? And can you make the same kind of
links that Bill has talked about to, you know, why this is also good for the
U.S.? And why he will get a bigger bonus check if you actually go and do
an education program?

MS. WINTHROP: Yes, definitely. And I think that actually

Carol laid it out perfectly in terms of the U.S. dynamic in that the education sector -- - the global education sector suffers from the lack of good storytelling that Bill described where, you know, I would probably agree with Carol's analysis, although I leave you to be the expert on the inside scoop there, that education is probably not going to be the top of the list of things to protect when people come to cutting foreign aid, but I would argue really that it should be and frankly the sector itself has done a pretty poor job of talking about, you know, how we've moved over all to improving education in the developing world and two things that I would say is -- - which are important both for education but also for aid generally is, why something that's so long-term and seen as a really important source of preventing, you know, bad things to happen down the line actually is a very urgent investment today and affects us here, back at home, in the U.S.

And just if -- - I'll give the sort of global education in a nutshell summary, which is that actually there has been huge progress in education globally. The Millennium Development Goals focused -- - had two goals focused on education and tens of millions of kids because of it have enrolled in school, in primary school, over the last ten years. It's one of the MDGs that is sort of the farthest along. Still not going to be met, all projections say, but has made huge progress. And that story is not told. I

saw -- - it wasn't a polling data here in the U.S., but it was one in Britain in recently that I saw that said, you know, people thought that -- - speaking to your question of perceptions, Homi, that, you know, no progress had been made on global education, and part of that is, you know, because to raise money, NGOs and all sorts of humanitarian organizations need to sort of sell the crisis and the problems and we don't -- - we haven't figured out how to sell and raise funds for -- - at least if you think about charitable organizations -- - by talking about the successes. Those are not the flyers all of us get in the mail. It's all about starving children who are out of school who have no clean water, et cetera.

So, on the one hand, global education has done very well for itself for the goals that it has set out, but on the other hand -- - and this is where the development story is complicated and international development is complicated and how to, you know, sort of tell a story like Bill did with the cucumbers is something that our sector needs, certainly, which is that the assumption of the MDGs was that get children in school and they will learn and they will develop skills that are important that we know, absolutely know, drive economic growth. There's also good data to show that, you know, we know those skill sets -- - if it's a quality education -- - can reduce conflict risks. So, these are all good things for economies overseas but have benefits for our economic growth, for our international

security. The problem is that now that we've learned along the way that that assumption, while it might have been true ten years ago, no longer holds, that just because you get kids into school they don't necessarily learn something.

So, I would say there is actually a global learning crisis that we face now and we have to find a way as a developed -- - as people who are involved in development, to describe this story to policymakers, to people in a way that doesn't sound defeatist, but emphasizes that we are learning along the way and we're finding -- - we're trying to refine our approaches to be much more effective. And the learning crisis really has three pillars. One is, there's a whole bunch of people who are still out of school and those are really the most marginalized folks, a lot of them living in conflict-affected or fragile states, so they have no access to learning opportunities which are essential for improving their lives. The second is that if they do get into school, a vast majority of kids don't necessarily acquire the skills -- - basic foundational skills they need for safe and productive lives.

One data point to illustrate this is in various countries in Sub-Saharan Africa, at the end of grade two, up between 90 and 50 percent of students can't recognize a single word. Again, that statistic goes down a little bit, but you have kids graduating grade six, full course of primary

school, who also can't read a single word or a line of connected text. So, it is a serious crisis.

And then the third crisis is, say you get into school, you're able to get to some sort of quality schooling and you master basic skills, a lot of times those skills are not relevant for the job market, or they don't actually parlay into jobs, and we heard actually a lot about that domestically in the previous panel, there's a lot of similarities -- - the departments of labor and the departments of education in these countries never -- - hardly ever speak to each other. You see this as a -- - you know, Egypt as a case in point where it has many, sort of, factors, political dimensions, et cetera, but high youth unemployment is a really important part, and there's a lot of educated people, they just are not -- - they don't leave their education with the right skill sets to get the jobs that there are.

So, I guess I would emphasize that, you know, we need to really hone in in terms of development on the effectiveness of what we're doing. It's all good to send the sort of plea that, you know, charity is important, et cetera. This is certainly -- - I don't think charity is going to win the game certainly for the education sector or anything in international development, so I think we need to emphasize that things like educational investment, as well as health investments and a whole range of other things, are really important for growing the economies, lifting people out of

poverty in developed countries that expand the markets for our goods, that they're also really important for reducing conflict risk, creating a more stable environment, and the third thing is that we can find effective solutions, we can be effective. We're not always effective and I do think there is an increasing bipartisan interest on sort of effective results across the board, but especially in development. What really does work? And eliminate those things that don't and really hone in on those things that do.

Within USAID in particular they have a new education strategy. USAID hasn't always had a fantastic track record in education but they have really gone through a pretty brutal exercise of narrowing down everything they do to three core things, one improving reading, one improving workforce development, and another, supporting education in fragile states. And I think we really need to get behind them and support them and that this will actually make their work much more effective.

MR. KHARAS: Thanks. Carol, you said if things are going to be cut, there are some things that are going to be protected, they're going to protect frontline states, they're going to protect maybe PEPFAR and the HIV/AIDS programs, et cetera. What do we know about the effectiveness of those, especially about the effectiveness of programs in our frontline states? There are reports now about, you know, has U.S. assistance, for example, civilian assistance to Pakistan actually, you

know, done much good? There seems to be always a tendency to go for the quick fix and we know in development that effective programs sometimes take a very long time to mature. Do we have the ability to say, wait for 10 or 15 years? You're going to get your dividends then. Or is there always going to be pressures to move to the quick fix?

MS. LANCASTER: Well, if you're on the diplomatic side of things and you have a major world crisis, it's what happens tomorrow and the next day that really drives you, and if you can find some funding, some resources to help deal with that crisis, if only in symbolic terms, because some of the aid giving we do is symbolic, then that's what you do, and I think it is going to be a shame if we try to evaluate aid to Pakistan or Afghanistan -- - some of it at least -- - in terms of development criteria because basically, to a considerable extent, it's given for diplomatic purposes. We wish the Pakistanis to do certain things. They don't seem to be doing them, or maybe they're not doing as much as we would like, but there you are. And I think the challenge that no one has ever raised and nobody bothers to face is the question, you want to talk about aid effectiveness? Let's talk about aid effectiveness for the diplomatic purposes for which it's given. Does it work? And I have never seen a piece of writing on this or a really serious effort to analyze it, and it isn't easy because it's very -- - there are a lot of different reasons within that

cluster of development terms.

So, I think that the aid effectiveness issue has to be dealt with in these countries in a political as well as a development context.

Now, I am almost certain, though I don't have any inside information, but I'm almost certain that any time you ramp up your expenditures against a crisis, whether it's domestic or foreign, and you do it quickly, and you don't have much control over the environment, and the environment is adverse in any case, you're going to end up wasting a lot of money and I'm afraid that within the next year or two we're going to probably start hearing stories about the waste of U.S. funding in those countries. I wouldn't be surprised if Darrell Issa, the Congressman from California who wants to do all of these hearings on waste, fraud, and abuse, isn't going to find an interest in these countries as well, because it's very difficult to do otherwise. We've already begun to hear stories.

So, I'm afraid I don't have a very comfortable answer to that except that I think it's difficult to assess the impact of aid whatever the purpose is in the short-term and we are still in the short-term in these places and so if I were the administration of USAID, I'd be going out to Afghanistan, which I gather he's doing in the next day or two, and I'd do my best to make sure that there were as many accountability mechanisms out there as possible, but I think it's very difficult.

And, you know, Haiti is another one in this category that, you know, maybe in Haiti it's not so diplomatic, but expectations were raised for rapid progress and I think no one would put rapid against the progress of Haiti, not that there hasn't been any.

We're living in a political environment. We have to do our best to account for what we do and see what the effectiveness is, but I also think we have to be realistic about what we mean by effectiveness and what it is we're trying to do. That's at Brookings. Brookings should have that as its goal. Let's be realistic about what's going on here and how do we assess it.

MS. WINTHROP: Could I ask a question back to Carol, actually, because that idea of evaluating certain types of aid giving, you gave the example of Pakistan, for the diplomatic purposes for which we assume it's given, is there not a risk -- I mean, what I fear is that that's often what happens, the sort of instrumentalist approach to development and to development aid, but then you have a whole crew of people running around pretending to do -- that this is a real development project and it goes awry and it gives development aid itself a bad name. So, I mean, I see a real tension in that and I'm not sure how to square that. I mean, how would you think about that?

MS. LANCASTER: Well, it depends on where I'd be sitting.

If I was sitting in the Administration, I might not want to clarify all this stuff, but if I'm sitting in Brookings or the Center for Global Development or Georgetown University and I'm not a dean and had the time to get into this, I think it would be a very interesting exercise and something for people to chew on, not just here in the policy and think tank community, but perhaps on the Hill too. Ask, okay, what are we actually trying to do apart from development with our aid to Afghanistan? It's a very difficult question to answer because some of that aid probably would have been given under normal circumstances to a poor country like Afghanistan anyway.

Let's take Egypt, because Egypt is an interesting example. For a long time we were giving \$800 billion a year in economic assistance to Egypt. It was tied to the amount of money in economic assistance we were giving to Israel and it's all wrapped up in the Middle East Peace. Now, we would not have given that much money to Egypt under normal circumstances. Poor country, but not well-governed and not strong institutions, markets not very effective. We wouldn't have been doing that. So, we know there's a chunk of aid there for something else. Was it successful? I mean, I could argue, yes, it was successful. The Egyptians didn't shoot at the Israelis during that period of time. Then you get into the very difficult question which we're asking right now is that in the long run,

did it make things better or worse? The same question can be applied in the old days to the aid to the Democratic Republic of the Congo, which used to be called Zaire. Maybe it kept the wolves at bay, maybe it just kept Mobutu under his -- - in his box, but in the long run you could argue that the aid reinforced his regime and the longevity of that regime leaves us with the problem of what we have today.

We don't debate these things. Have you ever heard this debate? I've never heard this debate in any serious terms. I mean, people just throw these things back and forth. But it would be good, and it's a values debate as well as an empirical, theoretical debate, and so these are things out there that I think -- - well, you're at Brookings, you could work on this too. Bill is selling tractors, so he's busy.

MR. LANE: Let me just say something. First of all, if this was easy, we wouldn't be up here. You know, we live in a world where we worship fire fighters and we really dismiss fire marshals. You know, the person that prevents the crisis, the person that keeps the fire from occurring, eh, you know, we give them minimum wage plus a couple bucks, but the person that comes in -- - even if they started the fire -- - they put it out at the end of the day, they're the hero, they get statutes, and everything else. And I'm not taking anything away from any fire fighters. They're great people and I'm glad they come out and put out the

fire, but at some point we've got to start recognizing that prevention is worth something and that's really what we're talking about. This is the prevention part of the budget and if it works right, it can save all sorts of resources, and if it doesn't work, you're going to be blamed for, you know, the insurance -- - it's really not an insurance policy, it's really more of an investment. Some investments pay off and some don't.

You know, we spend a lot of time in Egypt and we were in Egypt right after the U.S. -- - and this is the Bush Administration -- - pulled the plug on the free trade agreement. You know, when you think about the region, we have a free trade agreement with Israel, we have a free trade agreement with Jordan, you know, if you want to really sort of round out the circle, it should be with Egypt, it would actually be commercially meaningful. There were some reasons on human rights abuses and so we pulled the plug to teach the Egyptian government a lesson. But by doing so, we undercut all the moderates within the government because they were the ones that would be empowered with greater commerce and greater say and by embracing various institutional reforms that would come along with some type of an agreement.

First of all, no one even knows we pulled the plug on the FTA. No one is extrapolating out on would that have prevented this crisis. I'm not sure it would have, or whatever, but, you know, it's food for

thought. But if it had, we never would have known it, instead we would have just been accused of, well, we're trying to do preferential trade agreements with a country that's not a Jeffersonian democracy.

So, I mean, I think we all have to -- - you know, whether you're on -- - if you're a Republican or Democrat or Independent, or whatever, we need to mature in our thought process. We need to start realizing and recognizing gains.

I belong to a church. We had a minister from Juba 15 years ago. He went back to start up a girls' school and church in Juba. A bunch of us write checks once a year. You know, we've been doing this year in and year out after a period of time we said, hey, let's send somebody there to see what's happening with our money, because we didn't really know.

And they went here and came back, and we said, do they really still need it? Because, you know, don't you get the impression maybe -- - I don't know, it's not a whole lot of money, maybe we're sending them \$20,000 a year, \$25,000 a year, and we said, maybe, you know, he's living the high life in Juba, if there's such a thing. And they came back and they said, you're supporting the whole village. I mean, it's not just the girls' school and it's not just the church. That money is going to the whole community. It's being leveraged like 10:1 or something like

that. So we all felt a little bit better, we write a little bigger check out the next year.

That's being replicated all over the country. You know, we think that Americans, at times, are isolationist, and what have you. I don't buy that. I mean, you go into -- - in South Dakota, you go into Nebraska, there's church groups, there's faith-based organizations, there's NGOs and what have you, that are following various projects. Sometimes in Washington or New York we tend to be very focused on the institutions we know best, but there's all sorts of outreach. There were -- - going through Haiti which is still the roughest place I went to, and this was before the earthquake, you know, there were all sorts of outreach programs that were going on, you know, some supported by PEPFAR, some supported by various church groups throughout the country, some that go back literally decades, but having said that, there's a lot out there. You know, the rotary clubs, I mean, they've been working on irradiating polio for along period of time.

You know, at least when I was in high school, the only real international exchange we had was, you know, we'd send one person as a rotary scholar overseas and we'd get one from overseas. We got ours from Sweden, it was just my luck it was a guy, but it was a -- - you know, that was our interaction, that was our interaction overseas. You know,

now it's on so many different levels.

I think there's a lot of things we can tap into. I just think we've got to be a lot more creative and show a passion for it and then sustain that for a period of time so you're not reacting to the crisis of the moment, but you're sort of building a foundation for the long-term.

MR. KHARAS: Let's open it up a little bit for questions.

We've got microphones. Anybody from the audience?

SPEAKER: Good morning. Thank you for your remarks.

I've been enjoying them. I'm with RESULTS, which is an anti-poverty, grassroots advocacy organization and my question is for Rebecca.

We've been advocating for education for all with end results and promoting a global fund for education and really thinking that you get effective education in developing countries when you have plans submitted by countries saying this is the kind of plan we need and so please fund it, but listening to your remarks on effectiveness, I was wondering, is that always the case that when the countries come forward and seek to get their plans funded, are we really funding effective programs or is there the need to work at the levels of administration in developing countries to design better programs?

MS. WINTHROP: I think there's both needs, and I know the work of RESULTS and there is an existing global fund for education called

the Education for All Fast Track Initiative. It is -- - it's the only sort of global fund for education that is out there at the moment and they've done a lot of reforms over the last year to try to really streamline their processes and pool their funding. And as you know, they submit funds based on plans that national governments develop and they have realized in their work, and they've certainly learned along the way, because they too have been, you know, in the first sort of ten years of the MDGs have been heavily focused on ensuring increased primary enrollments. And, you know, frankly everyone was focused on that and we're just beginning to learn that, you know, you just can't -- - that assumption that you build it, get them into school and they'll learn, doesn't hold true.

And so there is a whole sort of capacity development component of the FTI which works with national governments to help them develop their plans based on the latest data that's emerging because they also would like to know what's going on with peer countries, what's successful, et cetera, and the FTI has also recently just started -- - I don't know if it's public yet -- - but started a very big push on ensuring learning outcomes and learning results, so it's not just about increasing access.

So, I think actually that's a really important move in the right direction and, you know, harnesses this concern for effectiveness.

SPEAKER: I'm presently at the State Department in public

diplomacy but I came from the area of development and started with Haiti back before the -- - well before the earthquake.

MR. LANE: They call it the good old days.

SPEAKER: Yeah, the good old bad old days -- - and progressed on to areas in Africa and Ghana and Croatia and Georgia and Pakistan and Afghanistan. So, this is an area that I'm very concerned about. I've seen so much done. We've spent inordinate amounts of funds, as well we should. We have spent a great deal of other type of human resources, as well we should, but we've seen very little long-term, sustainable results from this great amount of effort and all I can look at is the kinds of models that we've been using. We keep doing the same thing over and over again. We put a different label on it maybe, but it's basically same models and what we're not seeing is the results.

I'd like to know -- - you know, I was pleased to hear about, you know, the recent AID focusing on reading, workforce development, education in fragile states. I mean, I think that's a direction. I'd like to know if you have any thoughts on that new direction if you see it taking on its own structure as a new model or is it really just a different label on the same models that we've been using? Because -- - and the reason is, in Afghanistan, the last eight years, we have spent billions of dollars, 30 percent, according to Brookings, Pew, other organizations -- - less than 30

percent of those resources have actually been -- - gone into the on the ground -- - you know, I know we have structures on how our funds have to be spent statewide, but the fact is, is there's models out there that you spend through states and you get a greater use of the funds in country, on the ground, for produce, and we're just not seeing it.

So, it's going to your point -- - I think we're going to see a lot of questions about where did the money go and then that makes it difficult for future -- - for future (inaudible).

MS. LANCASTER: I'm not sure who -- - do you want me to take a stab at that?

SPEAKER: Sure.

MS. LANCASTER: Well, you know, if you're talking -- - I think all of us in the development field have realized that if you want to help development or if development is going to happen, as we've all said, people have to want it to happen and governments have to want it to happen too, and they have to have the capacity and the commitment to make it happen.

Here is where the challenge is, I think, for both Afghanistan and Pakistan, for slightly different reasons maybe. You have a country in Afghanistan that is very poor, in an early stage of development, but also it seems to me, very fragmented. A government that -- - I don't know what

extent it has control over the provinces, but doesn't have a very good reputation in the provinces -- - if government can't work, and indeed can work against economic progress, then it's very difficult to put a lot of money into a place and expect to have, you know, a visible, positive response in a short period of time. I think that's what's missing in Afghanistan.

In Pakistan my reading -- - I'm not a great expert on the area, but my reading is that you have a government and a society that is led by a very small group of people who would prefer not to relinquish power or resources and I think that that has been in many ways a blockage to economic progress and social progress in Pakistan and yet if you really want to take away that group, what do you have left? And I think both of those countries, and Iraq to some extent too, all of them are places where it's very hard, in my view, to use a lot of money to make a sustainable major difference in the way the country functions. You may be buying something from the government, you may be buying acquiescence or support in some things, but to sort of engender long-term development in countries where the institutions are so poor -- - Haiti is probably the extreme case. It's very difficult to do and so I think we have to recognize the problem we're in. And I might add that the recent report, the Quadrennial Diplomacy and Development Review, the QDDR, that came

out of State and aid, also ignores the role with institutions. I mean, I think it's just got a whole piece of the development scene not there and one of the reasons, of course, is it's so difficult to deal with and so difficult to understand, identify, and address.

But anyway that, I think, we're doing -- - we're trying to do something in these countries that can't be done in the short run and we may not be able to do in the long run. It doesn't sound very optimistic, but I think we have to recognize where we are.

MR. LANE: I don't want you to grade any of my papers. I mean, the examples you sited were great examples, but there's also great examples where we've seen enormous progress, you know, whether that's in Latin America or whether that's in Asia, Southeast Asia, Korea, what have you, I mean, India. And I'm not saying that's all because of U.S. foreign aid or what have you, but we've played a positive role and MCC -- - you know, it's going to be a while before we have a good feel for how successful or whatever, but it's trying to address a lot of the structural problems that undermined a lot of our aid projects.

I think if you want some kind of a counter balance to the negative stories that inevitably are going to be out there, all investments have, there's always a bad investment out there. You're also going to have to have -- - you know, talk about your -- - you're going to have to

celebrate your successes and you're going to have celebrate your successes on a bipartisan basis. That might be the hardest part of all.

SPEAKER: Just to support you -- - actually the areas we've seen the greatest successes is where there's been public-private partnership. When there's been -- - and often U.S. businesses have been very active in this kind of thing. A number of models that I used which I got support from Congress, both sides of the aisle for -- - unfortunately it did not get the support from AID, but did get support from Congress, were the most successful for building internal capacity to support multilateral and bilateral funding and that was to build teams of mid-level managers linked through U.S. higher education to U.S. businesses and then we were going to follow on with investment.

Now, it was that kind of dynamic, a different model, that was -- - that showed promise and potential that was not being embraced, as well it should -- - as more as it should, and we're not talking about something recent, I'm talking about going back 15 plus years here.

So, anyway, I just -- -

MR. KHARAS: I think the key point, which is being able to track the money, is a very important point and I think the new transparency arrangements that USAID has just started to put in place will really go a long way towards helping people being able to see where the

money is actually going on a disbursement perspective as well as just in terms of commitments.

SPEAKER: Hi, my name is Yasmine and I'm relatively new to international development and my question is pretty cynical, but if our job is to reduce something, once it's gone, then our job is gone, or if I get money this year, am I using it so well that I will not have a need for that money next year? Or if I'm the World Bank or if I'm USAID am I thinking of my long-term strategy, we're going to be so effective that in 2030 we don't need 70 percent of our programs? Like, is there this urgency because we'd be working urgently to make ourselves obsolete and is that a mindset we should have? Is that a mindset we do have? Is that -- - I mean, I know everybody's working really hard and they're working with such passion, but is there this sense of urgency in it?

MS. WINTHROP: That's definitely a mindset that everybody -- - I think everyone in development should have. Whether everyone in development does have, is a different question, but the ultimate goal is not to be needed, right? I mean, we had a keynote speaker here in the morning who talked about that from the Gates Foundation perspective.

MS. LANCASTER: Can I just say -- - I agree that the idea of all of this is to work ourselves out of a job, and we have worked ourselves out of a job in some -- - a few places -- - when I'm saying we, I'm talking

about the public sector, but I think that the prospect of doing that by 2030 is not huge and there are -- - it's very interesting, there are other problems that present themselves and have been presenting themselves for us to work on with the same kind of resources we use for development. I mean, just take for example climate change. Climate change isn't just going to affect poor countries, although it will probably affect some of the poor countries the worst, but it's a kind of a worldwide phenomenon. There are other things, of course, the challenge of adequate water supplies, which is not just the developing country challenge -- - there are lots of these global issues where I think we are increasingly becoming engaged, as we should, with our resources, with our knowledge, with our efforts, and so if I were -- - the question behind your question is, are the incentives perverse in this business, and lead people to sort of hope that the problems will not be solved and they'll continue to be in business? And I would -- - I don't know that people think about it like that. I certainly haven't seen it because the end of this business is nowhere in sight, but I do think there's so much to do out there that you may be healthily cynical in asking your questions, but I think you can rest easy there's some idealism to inject into some of your views of the future too.

MR. KHARAS: Okay, we've got -- - there are just a couple of last questions and then I'm going to bring this to an end.

MS. HENDERSON: Hi. Thank you very much for your stimulating conversations and presentations. I'm Laura Henderson from the World Wildlife Fund and my question was, the current USAID administrator has talked about capacity building of institutions in the developing world and local NGOs and really put out the call to the NGO community to do more than talking about it and actually bring about genuine capacity building of local NGOs and other institutions in the developing world, and I wondered if you could comment about what USAID might do to really effectively encourage and help NGOs to do that, because I think that our community has talked about capacity building for decades and probably has not done it as effectively and consistently as we all feel we need to going forward, and any ideas you have on what USAID and other donors can specifically do to encourage effective capacity building would be welcome. Thank you.

MR. KHARAS: Maybe take one last question and then we can --

DR. SURUMA: Thank you very much. My name is Suruma, I'm from Uganda. I'm also at AGI here.

I just came back from Uganda yesterday and we are preparing for an election in less than two weeks' time. The young people who are just graduating from high school and primary school as a result of

free education are a big problem for everybody, and I think that's good because now the young people are unemployed are putting pressure on the politicians and I'm seeing more competition in politics than I have ever seen before. So, although they are not employed, I still think that maybe there is prospects for stability, maybe improving as a result of some of these programs. We were the first to have a -- - start free education in primary schools -- - primary children in 1997 as a result of debt forgiveness. That money was used to improve enrollment from 2.5 million to almost eight million in primary schools. Later on when they reached secondary stage, we had to increase to allow this free education to go on.

Now we have millions of children coming out and we don't know what to do with them. We didn't think about what would happen when they finally graduated but I think that in December when we were speaking here about delivering aid differently, we noted the role of compassion in aid vis-à-vis interest that nations have when they are giving aid and I think it's important to balance these too. I think that if you only look at what is the United States getting out of the aid dollar that you are giving, it's going to be difficult, indeed as has been said, to ascertain that, but in the long-term, in my view, you cannot do too much good. I think in the long-term I see definite benefits arising from the aid that's being given provided the compassion element is not taken out of the aid. The fact that

I got a scholarship to come to United States to get education in 1966 and I have given maybe 30 or 40 years of service to my country, I think has done a great deal of good, but whether anybody can measure that, I really don't know.

So, I would support the cucumbers and the satellite programs and a good element of human compassion is needed in these things, otherwise we have a much worse world than we really have. Thank you very much.

MR. KHARAS: Very good. Any -- - Bill, last thoughts?

MR. LANE: No, I mean -- - I mean, this is something you have to be committed to. I think sometimes we fall prey to the notion that if you say something in a public arena once you've sort of done your job and you forget that, just like we learned Sunday during the Super Bowl, it's good to have a good commercial, but you've got to repeat the commercial over and over and over and over again, and when you get to the point where everyone's sick of the commercial, that's when you actually start selling the product.

So, the repetition and the amplification is really important. On the issue of -- - the broad issue of aid, whether it's a 150 Account or whether it's foreign assistance or whether it's trying to buy friends, we've got -- - I mean, we have to be -- - you know, we've got to turn up the

volume a lot and we've got to be out there. So far, I really do think, this is the one area where we can sort of wall off some of the partisan rancor. I know that's, you know -- - if you say that then you'll never go on TV and talk about this because people want the rancor, but I really do. I mean, both Republicans and Democrats have great success stories to embrace, whether it's the Obama objective of doubling foreign aid, whether it's the changes that occurred during the Bush Administration, whether it's what Clinton did both as President and after -- - these are great successes and they have made a difference in a lot of peoples' lives.

So, there's inevitably going to be some negative news coming out, but, I mean, we have to work hard to sort of balance that out because, you know, whether it's for commercial reasons, whether it's for humanitarian reasons, whether it's for security reasons, this is an important part of the function and it is not a science, it's an art, and as such, you know, sometimes you can paint masterpieces but often you don't.

So, stay engaged and turn up the volume some.

MS. WINTHROP: I have a response to the capacity building question. I think it's a really good question and gets to some of the questions previously about sustainability and how catalytic is our development assistance and I think it's good to remember a couple of

things, one is, at any given point in time our foreign aid or foreign aid writ large is a pretty small piece of the entire puzzle and a lot of the big changes -- - and there's been a lot of good success stories that aren't often talked about, as Bill keeps saying, over the last several years -- - are really on the backs of national governments, and, you know, our goal is really to try to help facilitate that, catalyze that, you know, as was said, provide some sort of, you know, connection and/or compassion to assist groups of people where they just don't have it within their country to be able to pull a rabbit out of a hat.

And in terms of, you know, how we engage, I think the process of how we engage either sort of builds capacity or doesn't and I -- - having been part of the system for a long time, the current model that is primarily used by most people in development, really doesn't work to help build capacity. First, there is this idea that capacity doesn't already exist in countries when it does. People are doing all sorts of things and living with all sorts of odds and governments are managing with multiple coping mechanisms, some of which we might not like, but you have to change that perspective, that there's a whole range of capacity there, and then we often do this capacity development which I don't think is serious at the end of the day where we send people from -- - you know, like us on this panel or you in this room, some of you, out to different countries for, you know, a

week, two weeks, a month, you leave, oh, that's done, you know, check the box. I think there's some really interesting work being done by a group called Rapid Results International. It applies business practices on just getting things done and delivering products to development aid where they don't have a five-year timeline to deliver something but, you know, they have a one-month, three-month, five-month timeline and it's all about who is involved, who's making decisions, bringing people in, and they -- I give you an education example -- they were able to deliver textbooks nationally across Burundi at a quarter of the cost and like half the time that the World Bank did.

So, we do need to think a little bit more creatively and frankly a lot more seriously about capacity development.

MS. LANCASTER: Just one quick thing. If there's one thing USAID could do to expand the capacity of their potential partners based in the developing world, local NGOs, or whatever, that is to help them be able to meet the audit requirements that the agency imposes on any partner that it works with. That has been one of the greatest blockages, I think, to engaging more actively with the civil society organizations in countries where USAID works and perhaps this is true for other aid donors as well.

And I think we've heard the sort of positive side of

development interventions and it's big and it's important and it's out there. We also have to, I think, be realistic about the -- - all the things we're doing, some of which are development, some of which may be less development, and be fair in the way we assess things because I hate to see the development efforts, which have a great deal of compassion in them, as the gentleman mentioned from Uganda, I'd hate to see them damaged or besmirched by some of the challenges that accompany the use of aid for other purposes which also maybe be effective but not necessarily in development. I think we have to keep our eyes open for the realities out there while we are as passionate as Bill is about promoting development and selling tractors. Thank you.

MR. KHARAS: Well, I think that brings us to the end.

Please join me in thanking the panel. It's been a fascinating conversation.

(Applause)

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ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

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