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FROM THE LOCAL TO THE NATIONAL TO THE GLOBAL

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PANEL TWO: OPPORTUNITY IN DEVELOPING COUNTRIES

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PROCEEDINGS

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 are 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 minutes 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 cited 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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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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