

THE BROOKINGS INSTITUTION

REFORMING U.S. FOREIGN AID:
RECOMMENDATIONS FROM THE OECD DEVELOPMENT ASSISTANCE
COMMITTEE PEER REVIEW

Washington, D.C.
Wednesday, July 27, 2011

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P R O C E E D I N G S

MR. UNGER: Thank you, everyone. Thank you. For a couple people standing back there, there are a couple seats. Don't be shy up front. It would be great if you could grab. I'm turning off my cell phone. I hope everyone else will do the same.

I am Noam Unger. I am a fellow with the Development Assistance and Governance Initiative here at Brookings, and I direct our efforts related to U.S. Global Development and Foreign Assistance. On behalf of the OECD and Brookings, I would like to welcome you to today's discussion and the official launch of the Development Assistance Committee's peer review of the United States. The DAC, as it is called often, conducts these periodic studies. And so every four or five years the U.S. is up for review. The peer review is a very interesting official process. It is carried out by the OECD's development cooperation directorate and examiners from other donor governments. It is done in close consultation with the government under review, in this case the United States' government. So the U.S. government provides inputs and responses during the process. The examiners also consulted with many of us outside of government who pay special attention to these issues.

This time the review has taken place at a pivotal moment. The Obama administration has launched a suite of reforms related to global development policy and operations, and the budget outlook has soured dramatically, turning from a decade of increases to cuts. We should not underestimate incidentally the challenges of having a serious discussion about effectiveness in a political environment that is slanted towards slashing budgets. This review launch is also special because after a hiatus of about 10 years, the chair of the Development Assistance Committee is an American once again, and Brian Atwood, who was also the administrator of USAID from 1993 to 1999. So he is particularly well placed to deliver this review here in Washington.

I am not going to read through his formal biography word for word since all of you, I believe, have bios in front of you. But let me briefly walk you through the order of the discussion today and who is you.

First, I will turn the podium over to Brian for his remarks. In addition to leading USAID, Brian has served as the dean of the Humphrey School of Public Affairs in Minnesota, in numerous management roles at the State Department, including as an undersecretary and as an assistant secretary, and he also led civil society organizations, including founding and leading the National Democratic Institute. And before all of that he was also a Foreign Service officer and a staffer on Capitol Hill. So he brings many useful perspectives to his current role.

We will then hear from Donald Steinberg, deputy administrator of USAID. He came to this role from his position as deputy president of the International Crisis Group. And before that, Ambassador Steinberg held many positions in government -- at the White House, on Capitol Hill, and in many development-related diplomatic postings, including special Haiti coordinator, ambassador to Angola, and more.

After Don we will hear from my Brookings colleague, Homi Kharas. Homi is a senior fellow and the deputy director of our Global Economy and Development Program. He is also a part of our Development Assistance and Governance Initiative. With a background at the World Bank, including having served as chief economist for the East Asia and Pacific region, Homi now leads research on aid effectiveness.

And not least, before turning to your questions we will hear from Connie Veillete, who directs a program at the Center for Global Development related to foreign assistance reform. Connie has deep expertise in this area from the perspective of Congress having served as a senior staffer on the Senate Foreign Relations Committee, on the House Appropriations Committee, and as a specialist in foreign assistance at the

Congressional Research Service.

So with that introduction I would now like to welcome Development Assistance Committee chairman, Brian Atwood. Thank you.

(Applause)

MR. ATWOOD: Thank you very much. I see a lot of friends in the audience and I hope I have a chance to greet you before this is over. I thank Noam and Brookings. It's been -- this has been a place where people come together to share ideas about development, and I've had the opportunity to do that before. And I want to say that obviously I have expressed my views on what should be done with the U.S. program many times. I'm in a different role today and I'm going to try to reflect the views of the reviewers of this program who were from the European Union, two of them, and two from Denmark, as well as our professional staff at DCD, the part of the OED that does this kind of work, the peer review work.

It's wonderful to be on stage with Don Steinberg, who spent an entire day on June 23, answering questions from the Development Assistance Committee members. And they grilled him and it was not quite as difficult as a congressional hearing but it was -- he seemed to enjoy it a bit too much for my liking actually. And it's nice to be with Homi and with Connie. And I'm delighted to hear about her background because maybe she'll give us some insights into what's going on on Capitol Hill. It seems that every time I come to Washington there's some sort of a crisis that will affect the program here and I obviously -- this report was written before the current crisis. And we certainly would hope that it would provide evidence and information that would have a positive influence on the Congress. However, I'm not going to lose any sleep if it doesn't because I fully expect that we're going to see a rough time in the next few years.

I also want to introduce Jill Shooker who is here representing OECD in

town. She's a great representative of the organization. The organization itself, which is led by Angel Gurria, the secretary general, former finance minister and foreign minister of Mexico, is really quickly developing a different reputation than it had as the place where the rich countries meet. And we're reaching out as the DAC is and I'll hopefully get into that a bit as I make my remarks.

Let me just give you a little bit of backdrop before getting into some of the details about what has been recommended here. And there is both a lot of praise to be offered for the direction in which the administration has taken and some criticisms perhaps beyond the control right now of the administration. But the backdrop in my view is an evaluation that was just completed by an independent group on the Paris Declaration set out principles in the year 2005 that were later reiterated in different form and more detail at the agenda for action in 2008.

We have been studying those principles. The principles of country ownership and harmonization and predictability and mutual accountability for results and the like. And have actually commissioned an independent investigation of that. And that study has recently been released, demonstrating that in the 21 countries that were reviewed with seven donors involved, that when in fact those principles were applied, development results occurred. That's a very important backdrop because what we have found in yet another survey that is about to be released by the DAC of 91 developing countries is that developing countries have embraced these principles. They're asking for more ownership. They're asking donors to align their resources with country strategies. In some cases they're asking that we help them with capacity. In other cases they feel they have the capacity. They're trying to coordinate among donors.

And one of the big challenges we all have in this world is that there has been a tremendous fragmentation and a number of new donors, whether they be civil

society, nongovernmental organizations, or United Nations' organizations or whatever, the numbers are staggering in term of who is out there providing assistance. And there's a general feeling. I can't say that this is necessarily backed by evidence but there has been a lot written by people like Homi Kharas and Nancy Birdsall and others, that this fragmentation is causing waste to the extent of 30 to 40 percent. Why is that? Clearly a lack of coordination, transaction costs, a failure to respond to local need, a feeling that we have created an organization. We know what our mission is and all we care about are the inputs and the delivery of those inputs rather than development results.

So this fragmentation is a major challenge. And I'll get back to that in more detail as we head toward the final in a series on aid effectiveness, the Busan meeting in Korea the end of November, the beginning of December. If we fail to come out of that meeting with some rationalization of the international system or at least putting everyone on the same path, I think we will have failed those developing countries that are so anxious for change.

Now that backdrop is important for the United States and in terms of this peer review. It's important because the United States is the world's number one donor. In 2010, that number was almost -- was a little over \$30 billion. And it was extensive. That includes, obviously, just ODA but there were even more resources expended that may have an indirect impact on development. It's the number one donor and it's a donor whose program is fragmented among 27 different units, although probably four or five departments of government carry the biggest burden of that development assistance, with USAID by far the largest donor among them with over 50 percent of U.S. ODA.

But it's a government that is burdened by directives and earmarks from the Congress of the United States. It makes it difficult to respond to country ownership. There's a real effort by this administration to do that. The QDDR and the presidential

directive clearly would advocate for doing -- for responding more and aligning resources to country strategies. There is no question about it. But it is difficult because of the constraints.

One of the interesting things about this report is that it cites the Millennium Challenge Corporation as being a model. I found that interesting. I, of course, I supported the creation of the MCC -- not that anyone care. But I did testify before Congress on this because I thought it was additional resources going into development but I wasn't entirely sure. I think that people like Steve Radalette and CDG have contributed a great deal to the criteria that are used by the MCC. But what is advantageous is that they're not burdened by the Foreign Assistance Act. They, in fact, have their own legislation. They can respond to country needs and that's what they do. And so there's a special citation of the MCC in this report.

The question of coordination becomes the overwhelming question in this report. Clearly the White House now has a coordination committee. Gail Smith chairs it. It's a committee that grew out of the pain and agony of writing the QDDR and the presidential directive, trying to get many different government departments onboard, trying to decide what the decision of labor should be. But now it is a committee that meets frequently. Basically, to make sure that people are following generally the same strategy. It will be interesting to see in two years time when there is a midterm review of this peer review the progress that has been made toward better coordination. Will people be more responsive to country strategies? Will the agencies that don't do development as a matter of course be looking at the Paris Principles and implementing them? Or will the USAID develop its capacity? There's a whole section in here about management and about the need to rebuild the capacity of USAID.

And I note that the program generally is called by the administrator, Raj

Shah, USAID Forward. It seems to me that in the last few days there have been some amendments on Capitol Hill that would endorse the notion of USAID backward in terms of their ability to manage their own budget, in terms of their operating expense resources. You cannot have a professional government agency without the resources and the requirements of evaluation measurement and evaluation and basically coming up with systems to report results are really burdensome on a professional staff. So if you really wanted a government agency not to follow the Government Performance and Results Act you will cut their budget even further. It makes absolutely no sense to me.

The transparency issue is covered here. And there is obviously some progress. The F Bureau at the State Department now provides a lot of information but clearly it will be interesting in two years time to see whether or not that information goes into more depth and whether or not people can make any sense out of it in terms of strategies in countries at the country level. But it's a good start. It's a dashboard that everyone can access and I know there are many people in this room that will want to access it and understand better.

There is an issue that is a struggle for all countries involved in donor assistance and that is policy coherence. It is our hope as expressed here that the Coordination Council that has been created will get into issues that relate to at least policy incoherence. When we're providing emergency food assistance to Africa in the way we provide it now there are estimates that it costs about 30 percent more than if we were to purchase it in Africa. And the USAID has taken steps to correct that problem. Very significant steps. And I'm sure Don Steinberg will want to talk more about that.

So it's really important obviously to continue to reform the procurement system. It isn't easy. I was talking to the administrator last evening about it but steps have been taken. He's used his waiver authority, something that is difficult. The problem

of tied aid is still a problem for the U.S. program. Again, positive steps have been taken but some 32 percent of U.S. ODA is still tied. And there's been enough research on this subject now to reveal the fact that this tied aid creates tremendous transaction costs that does not contribute to development results. But it's difficult because obviously there are people who are receiving that tied aid that have an interest in maintaining the system.

I have to be candid and tell you that when I was the administrator of USAID I used to go around to congressional districts and brag about how much goods and services we purchased in those congressional districts. And we had tied maybe 70 percent plus of our aid to U.S. goods and services. Well, there is now a very universal consensus based on evidence that that is not the right way to approach development. So the issue of tied aid is one that will be struggled with and I like what I hear. And again, in two years time we'll be back to see how much better the U.S. program is with respect to that.

The humanitarian program is perhaps one of the best in the world. It's responsive. It's flexible. Again, it is burdened by some of the tied aid issues that I've just mentioned. I do think that there is going to be -- and we discussed this. I'm not supposed to tell you what we discussed at Tidewater last week or at least I'm not supposed to quote anyone. We had a Tidewater meeting last week with the high level officials. Don was there. And we discussed the situation in the Horn of Africa. It's very dire. There is declared famine at this point in certain regions of the horn. And it's important for us to do more work in the disaster risk reduction area. And a good deal has been done but I think there was certainly a consensus at the meeting that we need to put more emphasis on this given the fragility of many regions of the world and the climate change problem which is exacerbating that virility.

I'll just say this. We are moving toward Busan with eight years off a

dynamic sort of self-education program that has brought more developing countries into the mix. The working party on aid effectiveness which has 90 strong, half of the members are from the developing world. You have countries like Tanzania, Zambia, Vietnam sitting around the table and contributing greatly. You have groups of countries that are represented like the Nordic Plus Group. You have civil society represented by an association of civil society organizations. The DAC has reached out in its engagement strategy and I've put a great deal of emphasis on this since I've been there to a whole set of groupings that will have an impact on Busan.

Just a few weeks ago I was in Liberia for a meeting of the International Dialogue on Peace and Virility. And that International Dialogue is made up of 40 organizations, some international organizations but mostly from the most fragile states in the world. And 17 of those states have self-designated as fragile. And they came up with a set of indicators they want. They say, look, it's impossible for us to reach the MDGs. So we need different criteria we want you to evaluate us on. We need to provide security to our people so that there's confidence that the government can in fact assure their security.

We need to create the prerequisites so that we're able capacity-wise to actually achieve the MDGs. And they have signed a statement that they will take to Busan. So they will be repressed. Fragile states will be represented. Just a few weeks ago we met with the Arab donors. It's very interesting to see the change in view in the Arab world. There's a strong feeling about corruption for some reason. There's a consensus about the need to move toward democratic institutions so that the people can participate. There is a deep concern about the informal economy. At the Tidewater meeting Don and I heard from Hernando de Soto talking about his interviews with the family of the man who emulated himself in Tunisia and may have precipitated the entire

movement toward the Arab Spring. He was an informal vendor. He went to set up shop that morning not thinking anything about his life was going to change. And his fruit and his scales and his stand were basically taken away from him and he lost the equivalent of three months of pay, of salary.

That set him into despair and he went to the government offices and again you know, the story. And apparently that happened 39 times in various parts of the Middle East. Most of what we read about here is that there were young people on cell phones that caused this issue to happen and that's a factor, too. But there was a real reaction to the fact that people in the informal economy were feeling squeezed while there was corruption going on in government. And that precipitated the changes which the Arab donors say were irreversible.

Now, the attitude -- we hadn't met at a high level with Arab donors as a DAC for 20 years. They came together. They have agreed to have a special meeting on sharing statistics with the DAC so we all know what we're doing in the various countries we're working in and they've agreed to have a special meeting on Busan so they can come up with a common position to take to Busan. We've had two years of meetings culminating in a meeting we had two months ago with the Chinese. The China DAC Study Group has produced a great deal of awareness of the way they've dealt with poverty and the way that we deal with poverty within the DAC community.

It has produced, I believe -- I don't have evidence that they put a white paper out because of all of that -- but they put a white paper out that indicates that they want to share knowledge about their own experience. They have publicized this white paper, which I think is very significant because it means that they have exposed themselves to their own people. They've actually put out a web page asking for people to respond. And I think it's a very positive development. They obviously advocate south-

south cooperation but they see south-south cooperation as a complement, as a supplement to north-south cooperation.

I think there's a great deal of common ground to get countries like China and Brazil and India, Indonesia and South Africa and Russia and others involved. The BRICs as they're called have had their own meeting. We have met with them along with the president of the World Bank last year. And so you see that that DAC has rather extensive network of countries and civil society organizations that we, I think, can bring into this concept of rationalizing the international system. And it's essential.

What do we want to get out of Busan? Well, there are a lot of different aspects to it. But we'd like one declaration which talks about differentiated responsibilities, different approaches and roles, division of labor, if you will. But at least everyone can sign on certainly to a renewed effort to achieve the MDGs. In an effort to be more transparent with one another at the country level, an effort to be accountable to make sure that we are being responsive to people's needs. And that people need to participate in the development process if it's going to succeed. And obviously a common focus on results.

If we can get all of that in a statement with differentiated responsibilities as I indicate, I think we will put ourselves on a path toward 2015 when the world needs to come to grips with what its common physician will be. What is the global impact after the MDGs expire?

I think what we're going to see in that regard is a little less focus on the global goals and a little more focus on country-specific goals. That's the direction we're headed. Why do I feel optimistic about that? Because for the first time, at least in my memory and I'm getting old enough to have a memory that goes back quite a ways. The national leaders are focusing on issues that relate directly to the development mission as

never before. They're focusing clearly on security. They're focusing on the financial situation but they're focusing on health, infections disease. They're focusing on climate change. They're focusing on food process. And they do this through the G-20 exercise. We feel pleased that the OACD, that we're able to contribute a good deal through the G20 exercise. We feel that development is very much at the top of that agenda. Their sole consensus on development was adopted at the G20 meeting in Seoul, Korea. The Koreans are hosting the Busan meeting. The French are just as interested in development as are the Mexicans who will take the G20 the next time around. The G20 meeting will occur a few weeks before Busan and we hope that the G-20 will give a boost.

So that's just the right time, Noam. Just finishing up on a very high note when you handed me that note. Now we're done.

So I'm optimistic about it. I think it is still going to take a lot of work between now and then. But I'm confident that we can achieve something at Busan that will serve the interests of the world's poor.

Thank you very much.

(Applause)

MR. UNGER: Let's see if this is working. All right. Well, Brian, thank you very much. Clearly in your role there's a lot that you're focused on and most interestingly the real agenda for the future, for global development cooperation as a whole. And we very much appreciate I think all the effort that goes into these peer reviews and the one of the U.S. in particular.

Let me start the discussion now by turning to Don. Don, as somebody who is actually responsible for overseeing the ongoing reforms in many ways, what's your take and perspective on the peer review -- the process and the findings?

MR. STEINBERG: Well, first of all we found the results of the peer review to be rigorous, factual, and revealing. I wanted to start by channeling my inner Forrest Gump and say that a DAC peer review is like a box of chocolates; you never know what you're going to get.

Well, in 2006 what we got essentially was an intervention. We had 20 of our closest development partners and friends come to us to tell us in their view that we weren't on the right track. There was concern about the overall levels of development, the fact that we had cut USAID's leadership role as well as its staff by 40 percent over the previous decade. There was uncertainty about this new F process that had been put together, uncertainty about what the role of the Millennium Challenge Corporation was going to be, and concern over a general lack of a sense of direction. And if you go back and you read the previous peer review, all of these points come out very clearly.

By contrast, this peer review we view as essentially in part a validation of some of the reform measures that we have underway but also a sober call for further action in a very tough environment. And I wanted to just pick up on Brian's themes by saying a top 10 list of the things that we agree with and frankly the things that reflect fairly well on the United States and its development efforts.

First of all, the peer review highlights that we have gone through a process recently of a clear prioritization with the PPD that the president announced in September at the United Nations, the QDDR, the USAID forward agenda, the country strategies that we're asking our missions to put together, etcetera.

Secondly, and this is not just a product of this administration but the previous administration as well and give credit where credit is due. We have met the assistance commitments that we have made. Assistance last year, ODA was some \$30 billion. We did double our aid to Africa in line with the Gleneagles Summit commitment.

We increased our aid to poorer countries. And if you go back it's really remarkable. The least developed countries in 2000 were receiving \$980 million; last year they received \$9.6 billion worth of American assistance. And that's a commitment that we had made that is recognized indeed within the peer review. It highlights our role in public-private partnerships, citing some 1,200 partnerships, a body of best practices, and the effort to involve the private sector not just from corporate social responsibility but also incorporating development into their business models. It praises the renewed leadership of the agency in preparing its own budget and highlighted the fact that we do indeed have an Office of Budget and Resource Management that is responsible for preparing its own budget as of FY13 and we're in that process right now. It highlights the fact that we're trying at least to reach out to civil society to coordinate our development efforts, reaching out to groups like Interaction, private contractors, and think tanks. It highlights indeed the effort to incorporate effectiveness principles in our work, highlighting accountability and sustainability, as Brian said in terms of procurement reform, country ownership, and putting as much as possible on budget or through host governments. It does say that the Millennium Challenge Corporation is a model that's proven both effective, as well as delivering high accountability, a clear focus on results, and some longer term compacts. So the predictability of aid is highlighted.

It also said that USAID has set a standard on monitoring and evaluation, a focus on outcomes and results rather than input and outputs, incorporation of a feedback mechanism, independent evaluations, and a commitment to public input and transparency. As Brian said, it talks about the transparency side of our efforts, including in particular the dashboard that Brian was referring to. And finally, it recognizes that USAID, as part of a whole of government approach primarily involving the State Department but Defense Department and others, have incorporated gender to a greater

extent than ever before, including gender mainstreaming in all of our programs, participation and protection of women, and taking gender-oriented projects that are done at small levels to scale throughout the world.

At the same time, this wasn't a complete endorsement of everything we're doing. And Brian has highlighted a number of areas where we do take seriously the criticisms and the recommendations of the report. And I wanted to highlight a few of those areas and maybe push back even a little on some of the OECD comments. They do recognize here that there is a budget problem that we're facing in the United States, and they recognize that what we need to do is build greater support for foreign assistance. But I also think to some extent they overstate the difficulty of communicating this message. I firmly believe that as we look at our authorizers and appropriators on the Hill we're dealing with savvy, sophisticated, and generally supportive individuals of foreign assistance. We have just gone through a FY11 process that was very difficult but we maintained reasonable support. We talk a lot about the earmarks but in reality in this budget process they have softened many, many of those legislative earmarks. A lot of the shalls have become should, and there's a general recognition that we're in this game together and that we've got to make our assistance more effective.

I also think that there is a call for maintaining assistance levels right now and increasing them when this budget deficit problem is over. I think we have to accept the fact that we're in a new era that calls for 0.7 percent as a target, as a percentage of GDP are not going to, you know, help us. I also think there's an overemphasis to some extent on ODA in this process as opposed to recognizing that most of the development financing is going to come from private sector, from foundations. At the first DAC meeting that I went to we went around the room and we had United States, Germany, France, Bill Gates, et cetera. And that's the new world that we're in. We probably should

have had private corporations in the room there as well.

In addition, I think ODA understates in particular vis-à-vis the United States, our commitment, because please remember how much more the average American gives in terms of private donations to voluntary organizations -- \$36 billion, which is frankly more than your government gives. You don't have a similar degree of giving and you certainly don't have the tax benefits for giving that we do. And you could even add to that the \$100 billion worth of remittances that American citizens or green card holders, the Diaspora, contribute back to their own countries.

A third area is this question of the 27 separate U.S. government agencies. And I would not be representing USAID if I didn't say that we still, you know, in some sense, long for the good old days when aid really was running foreign assistance for the United States. But in reality we welcome the fact that there are 27 U.S. government agencies that are prepared to devote their resources and their expertise to development challenges. We recognize that in the new world any effort to solve education problems in the United States, health problems, etcetera, do relate to international experiences and as Brian said, it's also a bit overstated because 91 percent of our bilateral development assistance goes through USAID, state, HHS, or DOD. And so indeed there are a relatively limited number of people at the table.

Just two more points. There was a concern on the coherent side about U.S. government policy and the extent to which development considerations are factored into our national security dialogue. I fully accept the coherence argument. We do too many things as a government that give with one hand and take back with the other. It is partially a reflection of the numerous interests that we have in the world, the constituencies that we deal with, the political realities. At the same time, under this administration I believe that development has been highlighted in these national security

debates to a greater extent than ever before. And I know this for a fact personally when I look at my schedule. I am attending four times the number of National Security Council meetings at the White House that my predecessor did and that is true throughout USAID. In addition, when you have people like Mike Froman and David Lipton and Gail Smith and Samantha Power in key positions at the NEC, there is no way that development is taking a back seat.

Finally, the DAC calls on USAID to provide, as well as the rest of the U.S. government, to provide greater thought leadership. And it is true that a year and a half ago we did not even have a policy division. We certainly didn't have mechanisms for feeding our experience back into what we were doing. But I think that's changing. And this is one area where I'm very proud that USAID is stepping forward along with its whole of government partners convening evidence summits, issuing grant challenges. Right now there are 77 thought-leading organizations putting forward at USAID proposals for saving lives at birth and we're going to be granting programs for the best of those.

We have a PTT process (Policy Task Team Process) that is already looking at the big issues of education, countering violent extremism, climate change, the youth bulge, gender. So I hope we're back and I hope people are prepared to not just hop on a plane and go over to DFID or go up to the anti-poverty lab at MIT or go out to the Gates Foundation but get in a cab and come over to USAID because there is a new thought leadership going on there.

So in general, again, I wanted to thank the OECD, the DAC. WE are incredibly well represented there by our team. I was going to say we're incredibly well represented by Brian but he technically doesn't represent us but he's brought the same kind of leadership that he brought to NDI and to the University of Michigan and to USAID.

MR. ATWOOD: Minnesota. Minnesota. Minnesota.

(Laughter)

MR. STEINBERG: Go Gophers. The Hubert Humphrey Center, excuse me. To the DAC. And has done us all proud in that context and again, thank you as well to the rest of the DAC and in particular the E.U. and our Danish colleagues who really did take this process seriously. This was a year-long process. They went to Ghana. They went to Jordan. They spent weeks here. And I also have to thank our own team here, especially Steve Pierce, who has been leading the process of responding to this and putting the input into it. So thank you.

MR. UNGER: Thank you, Don. You know, I think that you just demonstrated that oftentimes these days we don't even have to hop into a cab and head over to USAID to get a sample of the leadership that is taking place there. So thank you for those comments.

Homi, you've done a lot of analysis on the effectiveness of aid agencies internationally. You've done a lot of thinking on multilateral assistance as well. What stands out from your perspective with regard to this review of the U.S.? And also if you could, you know, if you could tack on to what you were going to say some thoughts on Don's mention of an overemphasis on ODA?

MR. KHARAS: Thanks, Noam.

So, you know, one of the things that a peer review can do is it can really give a very nuanced picture of all the details of what's happening in a country. It looks in some detail at new institutional arrangements, at what's really going on. But one of the things that sometimes they don't do is to just step back and say, well, what's going in here which is different from what's going on in other countries and other place?

So last year Nancy Birdsall at the Center for Global Development and myself tried to build a database that compared countries and agencies against each other

based on a bunch of quantitative indicators. And we call it the quality of official development assistance. And actually there is a mention of quota in the DAC peer review, so I thank them for taking a look at that and for using it. But what comes out I think is quite interesting and quite striking.

So there are some aspects where the U.S. does really well. The U.S. does really well in transparency and, you know, because we rely on quantitative data sometimes our indicators were a little bit behind what is actually happening right now so it didn't reflect, for example, things that are happening with the dashboard of USAID. So in the areas where the U.S. is in a leadership position I think they're moving even still further and the U.S. does stand out on transparency. The U.S. stands out on being quite effective. We heard about the focus on fragile states. We heard about the U.S. leadership in humanitarian assistance, their focus in agriculture and other areas. So from a specialization point of view I think the U.S. also does reasonably well compared to other places.

But there are two aspects of development effectiveness where I think the U.S. does quite poorly and they come out in a very nice fashion in the DAC review. And one of them is what we called the burden on recipients. Partly because of the way in which earmarks and directives, etcetera, are done, every recipient country or organization needs to have so much sort of separate reporting to meet what the U.S. needs. It really just adds to this burden of bureaucratization and this burden of overheads, etcetera. And some of them reporting waste and time and effort of people in developing countries and in recipient agencies. And compared to other countries I think this is an area where the U.S. has, you know, that runs systems. They don't use country systems much. You know, I've heard that maybe the U.S., maybe 11 percent or so of U.S. assistance actually goes through countries' own budgets and systems. So it's not

friendly towards the recipient.

And then the last area, again, is this notion of, you know, being recipient-friendliness and it's what we call fostering institutions. And at the end of the day we really believe that development is not just about, you know, social welfare for people. It's also about giving states the institutional ability to take care of their own. And a lot of that language and rhetoric is in the presidential policy directive, the QDDR and other statements. But when it comes to actual practice of how the U.S. wants to go about doing things, it's usually using U.S. systems and U.S. processes and fulfilling the requirements of Congress and other U.S. oversight agencies. So I think that that's still a problem under the procurement reforms. It's something which USAID is really trying to make progress on but right now as things stand I think the U.S. stands out as being quite different from other countries in terms of the progress they've made on that dimension.

There's a second area where the U.S. really stands out and that's in their support of a multilateral agenda. On average, countries give 30 percent of their total aid through multilateral agencies. And multilateral agencies are quite special. They've been designed to have common rules and regulations which in some sense take the politics out of development. And so in many ways, you know, they're quite useful but in the case of the U.S. what they give in terms of core funding to multilaterals is really quite small. It's, you know, 10, 13 percent, somewhere around that. Then the U.S. gives an additional amount, what the DAC calls non-core funding which is another 14 percent of their aid, to multilaterals. But what non-core funding means is give the money to the multilaterals but don't use multilateral processes; have separate earmarked processes which satisfy U.S. kind of regulations.

So in some sense you're taking away part of the benefits of being part of this multilateral system which is the benefit of deep politicization of harmonized rules and

regulations, etcetera, and now we've got a proliferation in the world of, you know, different trust funds and different multilateral agencies -- thousands on thousands of these. And that's part of what Brian referred to as being the fragmentation problem which is really bedeviling this system that we've created.

There are a few other things that happen with multilateralism. One of them is just branding. I mean, you know, in some sense I think one of the difficulties we now have in the ability to have really good development cooperation is every aid agency wants to take responsibility for everything good that's happened and blame somebody else for everything bad that's happened. That's become an enormous problem because it's preventing people from really cooperating strongly with each other and you know, at the end of the day the people who are actually achieving the development are the people in developing countries. It's not this agency or that agency. Yes, they provide resources, they provide some skills, etcetera, but the real implementation is done in the countries.

And I think one sees it a bit when you have these kind of tensions, let me say, between a bilateral program like Feed the Future in agriculture and then a multilateral program which the U.S. originated, which is the Global Agricultural and Food Security Program. One is heavily underfunded and way below what initial kind of hopes were; the other is, you know, moving reasonably closely. But I think it's an example of how difficult it is to play off this balance of wanting to be bilateral and effective versus taking a multilateral channel with the possibility of being even more effective.

MR. KHARAS: Can I -- I want to say one word on Busan.

MR. UNGER: Sure.

MR. KHARAS: Because Brian did raise it. It's not part of the DAC peer review work per se but I do think it's hugely important.

The issue of who is going to play a leadership role in development, how

are we going to sort out this very complex system? How are we going to coordinate amongst all of these different development agencies has become paramount. And so already we've mentioned the G-20 and the DAC. The U.S. is the largest agency. But even internally within the U.S. it's really hard for them to coordinate. You know, who's in charge is still a question that goes unanswered.

And a very good example I think was when Secretary Clinton went to Pakistan and wanted to talk about the U.S. Development Cooperation Program in Pakistan and was asking a fairly simple question. Well, how much has the U.S. actually given in civilian assistance to Pakistan? There isn't an answer to that question. And it's not just the details. There isn't an answer to a range of between -- somewhere between \$200 million, which was what I'm told the Pakistan finance minister said that he had received versus a USAID figure which is somewhere upwards of \$600 plus million. So there are these vast differences in just knowing what's going on and partly that comes from this huge differentiation, you know, between agencies, different reporting systems. It's very difficult for agencies to add it all up. And then when you say but the U.S. also does a lot with the private sector and NGOs and the private corporate sector, yes, that's all true but we don't actually know what it is that they all do.

So until we've got a better sense of that it's very difficult to say let's have a coherent strategy of how we're going to harness all of these resources, establish a better division of labor which I think has to come out of Busan, think about who should take responsibility for doing what, and make sure we're really making progress on the development agenda at a pace that would help us meet the Millennium Development goals.

So thanks.

MR. UNGER: Thank you, Homi.

Now I'll turn to Connie but I do want the audience to start thinking about questions for our panelists.

Homi raises an interesting point even with the example of the multilateral assistance. And in my mind it's one about leverage. And that's a key principle of assistance and development support at all times but especially at a time of budget constraints. There's a lot of pressure to leverage other resources. But at the same time precisely because of the budget constraints there's even more pressure than ever to have greater accountability and control. These things don't always align exactly right or at least they don't align in the eyes of Congress. You know, whether it's true or not, they view multilateral assistance as very much a lesser means of accountability.

So Connie, I'm interested just to throw that on top of what you were perhaps going to say in terms of your perspective to bring that into Congress. I know you'll probably also want to touch on Don's mention of whole of government.

But let me throw in one other thing and then I'll open it up to questions for all of our panelists. Is it fair to say that a peer report like this, you know, may often be a little soft on the edges because of its process? And if that's the case, you know, does it adequately cover the terrain? Does it pull punches? You know, what's your take on this?

MS. VEILLETE: Okay, thank you very much.

I want to say first of all that I love Don's characterization of the 2006 peer review as an intervention because it leads me to say that the 2011 review is actually saying congratulations but you're only halfway through a 12-step rehabilitation program. And I know that Noam wants me to ground my comments in the U.S. domestic policy debates and those debates in fact want to make me reach for a drink.

(Laughter)

MR. UNGER: Not water, I presume.

MS. VEILLETE: Yeah, not water, unfortunately.

So let me just make a short comment generally about the review and then talk about three points that are in it and how that's grounded within the domestic policy debates.

I think that generally the review is a very accurate assessment of the progress that's been made and it outlines all the challenges that remain before us. I worry, however, that the relevancy of the document is going to be lost with what's going on in Washington where, you know, debates about debts and deficits are just sucking the oxygen out of having really substantive policy dialogues and deliberations. You know, what we're seeing now coming out of Congress is signaling a setback, a reversal of some of the progress that the peer review lauds, particularly around aid levels, around strengthening USAID, about providing agencies with the flexibility that they need to accomplish their mission. Yes, it definitely does seem like a USAID backwards as Brian pointed out at the beginning.

Let me touch on three issues raised in the review. And yes, I am going to speak to whole of government because the review accepts that the United States has adopted a whole of government approach. But I think does a very good job of laying out the hazards of having that many agencies and actors involved in providing assistance. You know, some people talk about a division of labor and internationally among international donors and getting some harmonization there but, in fact, we have yet to get that harmonization among our domestic agencies. I think we need to do that before we can actually harmonize internationally.

If you look at the peer review's case studies on Ghana and Jordan you'll actually see where they're pointing out that not all of the U.S. agencies outside of USAID state MCC have full internalized aid effectiveness principles, and in fact that those

agencies aren't working together very well on integrated strategies. So when the review makes a recommendation to deepen whole of government, I would rather see a rationalization of who's doing what, where, and why. And I think there needs to be some leadership of a developmental perspective that's going to guide the work of all those agencies. And, you know, I say that it's like you need a band conductor because right now we've got a horn section and a string section that's playing a different tune so we need to get everyone on the same music sheet.

The second issue for me is selectivity. The peer review recognizes that one of the positive results that came out of the PPD was that we needed to be more selective in where we engaged and in what types of programs we engaged in. That the United States has spread itself too thin, was trying to do too many things in too many places, and then the impact of our resources were being diluted.

The review cautions about, well, is selectivity going to mean that we're going to abandon some of those countries that are the most in need? Because we would prefer to work in a better environment where our impact may -- our investments may have a better payoff. I think in today's budget environment we may end up being more selective than even the PPD envisioned. Right? And so we're going to have to make some really, really hard choices. I do think that recommendations to redesign our humanitarian assistance to be able to facilitate development may help because we will still stay involved in humanitarian crises.

Lastly, of course, I'm going to talk about Congress. The peer review is very strong. In fact, its first recommendation is really dealing with engaging with Congress and pointing out that that has not really been done in a very effective way. I find it funny but in a sad way that whole of government does not include Congress.

(Laughter)

MS. VEILLETE: The report is spot on in characterizing the lack of this relationship. Many of the recommendations that it makes are not going to be accomplished unless there is congressional buy-in and unless there is collaboration. We will never be able to reach, agree, and bargain whereby the U.S. agencies are provided with the flexibilities that they need to carry out programs, perhaps with less resources, unless there is this kind of a dialogue.

So I know we want to get to questions. I'm going to leave it there and just say -- to touch on one of your points that you aside and asked me to talk about which is that, you know, maybe in this environment of lesser resources we are going to be able to focus a little bit more on non-aid-types of development tools. And that perhaps ODA or how we judge leadership in development should be measured by more than just what's the dollar amount that we're putting into development.

MR. UNGER: That's an interesting point because even despite budget pressures, a lot of development experts have argued that precisely that should happen. So it's an interesting outcome.

I know that the panelists probably want to respond to each other but we have -- we also have a packed house. In fact, I don't think we've ever had a more packed house, and what people in this room may not realize is that there's a whole room next door that's an overflow room of people interested in this topic.

So what I'd like to do now is take some questions from the audience and, you know, folks might want to weave in some other points in response to the questions as I'm sure the questions will prompt a lot of these same issues. If people could when they're asking a question raise their hand when you're selected, identify yourself, and wait for the microphone to make your question. And keep it brief so that we allow as many questions as possible in the time remaining. That would be great.

So I see one question right here on the aisle. This woman right here with the sunglasses.

MS. BUTUS: (Inaudible)

MR. UNGER: Please wait for the microphone. Thank you.

MS. BUTUS: Karen Butus. I have a question about transparency of evaluation of aid effectiveness. To what extent do you think that the evaluators and particularly in the multilateral banks are transparent and their evaluations can be relied upon?

MR. UNGER: Okay, and let me -- what I'm going to do is maybe take a couple and then I will -- and then we'll turn to the panelists. The gentleman right up here, George, please.

MR. INGRAM: George Ingram. Brian, I'd like to ask a question. I'd like a little more background on something that's in the report. And there's a comment there on the U.S. dual focus on good performing countries and countries coming out of crisis. And the comment in the report is there's a lack of -- absence of a strategy there. My concern over those two policies has been that there are probably 35 or 50 countries in the middle that are struggling with development that are left off the table. Maybe Don's statistic says in fact that's not the case; it depends on where those additional resources are going. But what was behind the thinking of the DAC as to why that issue was put in the report? Because I got a sense that there was something missing from what's on the paper.

MR. UNGER: Okay. I'll take one more and then we'll turn it over. This woman right up front here. Thank you.

MS. BEND: May Bend, World Bank.

We've talked a lot about results and also about process and the results

being what would be best for recipient countries and the process being things that the U.S. could do differently. I'm wondering what about the current process fits U.S. objectives and doesn't produce the best results for countries? And so what can be done? Because assuming processes are there for U.S. objectives, there's a bit of a difficulty in that.

MR. UNGER: Great. Well, thank you.

Why don't we turn first to Brian for a response to some mixture of these and then I'll work my way through the other panelists.

MR. ATWOOD: George, let me answer your question first about the focus on finding good partners and/or working in post-conflict areas.

The DAC has to take the view that it really is the prerogative of the country as to where it spends its money. And we don't feel as though we can interfere with that. On the other hand I think this ambiguity reflects real concern that many donors -- and I'm not just talking about the United States -- but with the increased salience of having to produce results; the British call it value for money -- that it may be leading donors to go to better partners because they want to really focus and show that they can produce results.

And on the other hand there is a concern that is more explicitly expressed in this report about the worry that maybe the focus on security, again, this report was mainly written by Europeans. I mentioned before who they were. I didn't write it. Clearly endorsed it and got into one issue related to the size of the, you know, to the size of the U.S. ODA program. I'll get into that more if you like. But the European attitude is that they see a lot of emphasis on security here and they're not going to say explicitly that you shouldn't do that. I mean, it is clearly a way in which the U.S. program is justified to the American people and to the Congress that it contributes over time to

security. But there is an expressed worry in the report that excessively securitizing your program may leave development as an objective behind.

You know, I'm not so sure at a time when everyone is talking about elevating development, I think that may be a concern that isn't appropriate now but I can certainly think of times in the past when it was a big concern and I can imagine that it could become a concern again. I think this administration has balanced this pretty well. That's just my personal judgment on that.

But that I think is the issue. Do we create aid orphans by putting so much emphasis on results that we stay away from countries that are difficult? Now, the U.S. spends more money on fragile states, and maybe some of them are post-conflict, than any other country. Even if you took out Afghanistan there is still more that's being spent. That means that there has to be more of a premium on risk management. There has to be more emphasis on trying to reduce the risk adversity that generally preoccupies people in government. And I think there is a lot of work being done by the DAC and by other donors on this issue that could be helpful to the U.S. and certainly the U.S. is doing a lot of work in this area. And the G7 plus this group of 17 fragile states by indicating themselves what they want to be judged by helps, I think, provide some degree of cover for taking more risks to help those countries achieve what they feel is necessary.

I hope that answers your question. It's necessary sometimes not to be too explicit about these things but that's my feeling about what the underlying rationale is for those statements.

MR. UNGER: Great. Others can respond to that but also to the question from Karen on transparency and Mary Bend's question on results and process.

Don.

MR. STEINBERG: I think Brian has given a really good answer on that

question.

We have an emphasis on humanitarian assistance, on what you might call traditional development, and then the relief recovery stabilization prioritization. The reality is I believe that it's going to move in the other direction from what we're describing. It isn't going to focus exclusively on the great performers; it's going to focus on areas where America has a real national security interest in preventing, trafficking, drugs, and persons, and weapons; in preventing refugee flows; in addressing safe havens for piracy, for terrorists, for places that produce pandemic diseases. And, in fact, those are the places where I believe in a tough environment we're probably going to see an increasing emphasis.

We've talked a lot about the OCO budget that we're looking at.

MR. UNGER: The Overseas Contingency.

MR. STEINBERG: The Overseas Contingency Operation. This does not mean that those factors are going to drive how we do development but I do believe that in a large sense they will determine to a great extent where we, excuse me, where we put increasingly scarce resources. Excuse me.

I wanted to address a couple of the points that Homi made previously as well and just to endorse most of them but to say as well that they are areas that we're working on. So when he talks about the burden on the recipient country, we have a streamlining process that's underway which we have determined will save USAID itself 50,000 person days in terms of reporting back to ourselves. And if it relieves 50,000 person days for us, you can imagine how many days it's going to relieve for the local partner. Again, I think there's a general assumption that a lot of people make that, you know, Congress is requiring these huge reports and that we're reporting on ourselves and that we're tied in, you know, earmarks and that sort of exercise. The truth is a lot of

this is self-imposed. And so we have determined that better rather than more is the way to go on that.

In terms of country systems, I agree entirely. The statistic that you cited is accurate. We're about 10 or 11 percent in terms of using country systems overall. We have ambitious goals about expanding that but I would stress that there are limits here. And I guess the best example that I'd like to cite is we made a commitment about a year and a half to two years ago that we were going to try to get up to 50 percent going through country systems in Afghanistan and Pakistan. So we sent out experts to work with local systems, to identify groups that were actually doing the job at the state and federal level, which organizations were transparent, where was corruption under control, how we could work on them on their bookkeeping. Bottom-line, we identified in Pakistan 38 separate entities that we could work through and now we have 50 percent of our money online. In Afghanistan we identified three. And there is no way that we're going to risk taxpayers' dollars or risk efficiency by channeling money through nontransparent potentially corrupt enterprises in that regard.

In terms of the evaluation process, just for USAID itself, the evaluation process that we're implementing calls on external evaluators. So we will be reaching out to independent entities out there to do the in-depth evaluations. One of the problems that we had at USAID with the decline of 40 percent in our staffing is that we indeed had turned over to contractors themselves not only doing the work, not only the program design, but the monitoring and evaluation. And so our contractors naturally would say, yeah, we've done a great job and hand it back to us. So we're moving more and more towards that external evaluation process which I think is vital.

MR. UNGER: Let me cut in there. Let me stop right now. We'll take two more questions from the audience and then what I'd like to do, since we don't have very

much time left is just work the answers to those questions into any last comments and we'll work this way across the panel. So I'll take this gentleman right here on the edge of the group. Please wait for the microphone. Thank you.

MR. KAPLAN: Thank you. I'm Bob Kaplan from the Inter-American Foundation, which is one of the 27 agencies in the U.S. assistance effort.

I want to pick up on something that Brian Atwood said at the end of his comments which was about serving the interest -- the importance is to serve the interests of the poor. And I was wondering if you could comment on how we actually could be better about recognizing or hearing from the poor what their interests are.

MR. UNGER: Thank you, Bob.

MR. KAPLAN: And whether we're serving their interests.

MR. UNGER: Thank you. And we'll take this gentleman just here two in from the aisle, please. And I'm sorry. This will have to be our last question. I realize there's a lot more interest.

SPEAKER: (Inaudible) scholar and also a senior candidate for Chinese government.

My question is for Homi. You know, most speakers address the importance of multilateral but I'm working on trilateral cooperation. You know, (inaudible) in China and some African countries have (inaudible) the challenge of (inaudible) from 2008 and I also know that USAID (inaudible) are in negotiations (inaudible) with China's government. So my question is: what's your opinion on the role and the prospective of China's cooperation and how to balance trilateral, bilateral and the multilateral. Thank you.

MR. UNGER: Great. Thank you. And I think that would be a good question for Don, as well.

So let me start with Connie. Any last comments or responses to these questions? I think Bob asked an interesting question about how do you actually do a better job of getting sort of the voices of the poor into processes that actually lead to development?

MS. VEILLETE: Great. I wanted to go back to a question from our friend at the World Bank. I think it was about processes. Should we value the process of how -

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MR. UNGER: Could you just tell us -- results versus process. That's right.

MS. BEND: The question was what in the current approach meets U.S. objectives but does not produce best results for recipients?

MR. UNGER: I see. So what's working for us but not for people in developing countries?

MS. BEND: Exactly. That's going to be the hard point.

MS. VEILLETE: So the disconnect between what we do for our own interests versus what benefits --

MS. BEND: Because all of USAID is about meeting U.S. goals. It has to be.

MS. VEILLETE: Right. And I think -- I think that process is important in that because one, we don't do a very good job of setting our objectives. Right? Whether they're in our interests or in the interests of poor people because we don't have a very good dialogue again to go back to Congress. We don't have a good enough dialogue between administration and Congress in setting those goals and then in deciding how it is that we're going to go about reaching them.

I think that there is a way to circle that square or square that circle,

whatever the saying is. And that is try to get some coherence between our global interest and our domestic policies. So, for example, reforming food aid is one of those areas that, you know, we do it for humanitarian reasons but we also manage it in a way that benefits U.S. farmers and U.S. shippers. But it adds such a transaction cost that, you know, up to a third of our funds for food aid get lost in transaction costs. So making those kinds of reforms I think is a way to achieve both, to accomplish U.S. interests but also to respond to the needs of the poor.

MR. UNGER: Great. Thank you, Connie.

Homi, last comments. And also this question about trilateral cooperation.

MR. KHARAS: So I wanted to start by going back to this question of country selectivity and, you know, good performing countries and turnaround countries. And I think we've had a narrative that says, you know, aid can only be effective in certain country situations. And I think that what we've now found on the basis of more and more research is that if you have the same aid intervention it will work in some places and not in others. But that doesn't mean that if you change the type of aid intervention that you can't have effective development assistance in all kinds of different country circumstances. Fragile, poorly governed, you know, middle income, you name it.

And so increasingly I think what's happening is people are recognizing that and trying to tailor the intervention more to specific country circumstances. So the research finds that it's that tailoring which is more important than the country situation. The implication for me is that it becomes more and more difficult to say, well, what we should really do is use country characteristics as a really important selectivity mechanism. There may be a range of reasons why individual donors have historical ties with some countries but those arguments shouldn't be made on the basis of aid effectiveness. And that's why I think this issue that Brian alluded to of donor orphans,

some countries who, you know, just because they don't have strong historical ties with any particular donor, lose out as it were in the kind of the flow of aid money. That is becoming an important issue. I think it's an issue that, to be honest, the multilateral agencies should pick up on and really run with. But, you know, they find it difficult to respond to the choices of bilateral aid agencies in terms of country effectiveness.

And that brings me into this question of evaluation because it is the evaluations that have actually found that you can be effective in fragile states, in different kinds of country circumstances. And I would say that the key issue today is not so much the transparency of the evaluations and MDBs or in other places, etcetera, and I do want to first say that I think USAID is really setting the gold standard for evaluation practices with its current policies and what it intends to do. And I really --

SPEAKER: I'm sorry, could you repeat that? I'm not sure I heard that.

(Laughter)

MR. UNGER: To the microphone.

MR. KHARAS: (Inaudible) thanks to the work of Ruth Levine, is setting the gold standard on this. And I look forward to seeing the results of it.

But the big issue it seems to me on evaluation is to move away from individual projects and start to think about the evaluation of transformational change in developing countries. That's a much tougher thing to do from a technical perspective. But I think it's going to be absolutely essential. And in order to do it I think you need to have the voice of beneficiaries. And one of the things we seriously lack in most evaluations is real beneficiary feedback. And it's not just about the statistics of, you know, I have this intervention and run through this project machine and this was the statistical outcome. I think it's critically important if you think about issues of participation, of the way in which development feeds on itself and leads to more development in the

future that you start to understand the participatory processes and beneficiary feedback.

And so I hope that it's going to be evaluation agencies that will lead this charge to bring beneficiary feedback into the equation and improve that voice. And with today's technologies, there's no reason why we can't have enormous amounts of beneficiary feedback. It's actually quite simple and lots of private agencies are doing it and they're doing it very effectively. You see the results of doing it.

And so let me then try to finally conclude with the triangular cooperation. It's a tremendous new positive instrument in development cooperation. And what we're finding is that development is not about the transfer of knowledge or experience from the north to the south; it's about a sharing. And pretty much every country has some really useful development experiences to share. China is a clear example, but China also is very particular in saying that just because this worked in China, don't expect it to work everywhere else. So yes, learn and understand what China did, but also learn and understand that we did it because it was appropriate for China. And the same is true with Mexico, with PROGRESA. The same is true -- the same is true in low income countries, like Bangladesh. Bangladesh has a lot of interesting examples that they can share with others.

And then the big question in the international arena is who is going to pay for this? Because you can't really expect Bangladesh or other really poor countries to be devoting their financial resources towards trying to help other developing countries. And that's where the triangular cooperation part of this really comes in. If official aid agencies from the northern countries would pay to transfer some of those experiences from other southern countries, I think it would be very beneficial. And I think as a statistic, no more than something like five percent of all technical cooperation actually involves people from developing countries. That's got to be too small a number. So I'm

hoping that that would be an important part of what emerges out of Busan in terms of new global development partnerships. And if you're interested in this there's a really good chapter on it in the book that we prepared with JICA and KOKA called *Capitalizing Development*, which has some suggestions about how Busan can sort of drive the global compact forward.

MR. UNGER: Thank you. We're going to take last closing comments. We are at the time when we're supposed to close, and I'm sensitive to people's schedules. But I do want to allow Don and Brian to have closing thoughts.

MR. STEINBERG: I've got a lot of time, so.

A couple of quick comments. On the question of division of labor, this is a key point that we're trying to rise within the context of Tidewater event last week with our donor partners. But in particular with the countries that we're working with in particular because we've got a dialogue right now with the E.U. where we are increasingly talking about, you know, we're getting into education in this area. We're going to be pulling out of that country, etcetera. But it is completely ignoring at this point the countries themselves. And I think in the context of Busan, what we've got to do is look at division of labor as a partnership where we sit down with the country that may be not the flavor of the month and try to determine how we're going to build the schools there and what local resources can be put in and what other kinds of development priorities can be addressed through private sector, through enterprise funds, etcetera.

On the question of triangular cooperation, it is part of the future of our agency and all agencies. We have a partnership now with India where we're looking at promoting agriculture in Africa. We've got a partnership with Brazil where we're looking at development of capacity. In Haiti and West Africa and the (inaudible) countries in Africa, South Africa, we're developing relationships. We're talking more and more with

China about how we cooperate in that development space. It's all part of this new model and I agree entirely that it is far more appropriate for developing countries to be sharing their mutual experience than it is for us to be trying to explain from the United States' context what they should be doing.

Just one comment on country selectivity. I think Brian's point is entirely right when we say that the real difference between the countries is our willingness to accept a higher degree of risk because, yes, if we all worked -- we have a program called Partnership for Growth which is highlighting our work in Ghana, Tanzania, Philippines, El Salvador. It would be great if those were the only countries we had to work in but it's not. And so what we have to do is to work with our friends on the Hill, our friends in the development community to say, look, we're not going to be able to produce the same kinds of results even using a differentiated process for each of the countries as we do in these other countries. But, it is in our national interest and it is the interest of reducing poverty to get involved in those areas.

Two other quick comments on the question of involving the poor in their own decision-making processes. Again, this is going to be a high priority at Busan. We've already put down a marker that when we talk about results and country ownership this doesn't just mean the government. It means the private sector. It means civil society. And in particular we're concerned about in this era where we're moving towards increased civil society engagement in everything a crackdown that is occurring in a number of countries on civil society limitations on their capacity to accept foreign assistance, a requirement for registration, etcetera.

Final comment is just a single comment. Connie, I think the days where we don't dialogue with the Hill are over forever. I can just look at my schedule. I can look at Raj Shah's schedule. I can look at the schedule of all of the people. We're up there

constantly. We are coming to conclusions about common shared values. It isn't the arms length relationship and it certainly isn't the adversarial relationship. Even some of the individuals who are most concerned about continuing foreign assistance at high levels want to see us become a more effective aid donor. And that's where a lot of the dialogue comes.

MR. UNGER: Thank you. And I'll give the last word to Brian. Please.

MR. ATWOOD: I'll be brief. I know we're running late.

I just want to say that we're involved in creating -- some people call it a new DAC, one that is much more engaged with non-DAC members in a variety of ways. And I've given you some indications of that.

We have the BRIC nations at the table. They were at our senior level meeting. They were at the two meetings prior to that to set the agenda. I mentioned the Arab donors and the working project on aid effectiveness gives us access to countries that we haven't had before. And I think that it's a very effective way to do this. Now, we can go to Busan. We can negotiate a document. We can have discussions with the DAC with the Chinese and the Brazilians and others. But nothing is as important it seems to me as this issue of triangular projects on the ground.

We did a study about two years ago, 2008, of the numbers of triangular programs that existed at that time. I think -- I don't know but I think it's doubled or tripled since then. What we haven't done yet and what the DAC needs to do is to do a deeper analysis of how those programs have worked and what the best practices are so that we can basically share those so that these relationships are meaningful. Because when you sit down as the United States has and talk to the Chinese and the Liberian government about a hospital that's been built but how do you bring the person power in to make sure that you can sustain the contribution that has been made, then you're talking about

concepts of development that may not be clear to both sides. What does each side mean when they talk about sustainability?

I think that's -- that kind of discussion is going to in the long run be more important than even international agreements that we reach at Busan. But if you reach those kinds of agreements at Busan you're putting yourself on a path to have those kinds of discussions and those kinds of activities.

The final word I will say is that capacity building is extraordinarily important. Yes, there is a continuum. A continuum you could look at from the point of view of risk. You can go from failed states to fragile states to developmental states, to middle income. That's sort of a development continuum. And obviously there's more risk if you're working in fragile states. But maybe more resources ought to be applied to developing capacity. And developing capacity doesn't just mean as we heard from Talad Abdul Moliq in Tidewater, just doing training, taking people out of the government and bring them to a nice place and let them have a couple of weeks off for training. It means building institutions. And they have to be built by the people in the country itself. You can figure out a way to contribute to that process. You can share options with people but they need to make those choices themselves.

And so it's true on both the political side, the governance side of the House and it's true on the economic side of the House. If countries are going to be experiencing poverty reduction and growth they need to have the microeconomic institutions that work. And it isn't, you know, it's not magic. I mean, it takes a lot of hard work to create a banking system that is serving small businesses. It takes a lot of work to create a custom system that is clean and is useful, a commercial code to make sure that there is less arbitrary behavior within an economy.

But that is capacity building. It's an old phrase that a lot of people have

been using for years but we need to define it more precisely in the context of the individual country along that continuum from failed state to middle income. And I think that the DAC can contribute greatly to this with the kinds of studies and policy guidelines that it has issued. When we reach consensus, I tell you, I've only been here six months but when we had a discussion, Don was present at the senior level meeting, on a pledging code where basically we asked all of the countries that sign onto this code to be a lot more precise about what they're pledging and constant dollars and timeframes and all of these things. And we had one country that was nervous about this and in the end they reserved. But we still got it passed and it took three meetings before we finally got to the point where we could pass it. That means it becomes it becomes soft law. That means that organizations like Brookings and CGD and others can basically look at the performance of countries and look at our statistics and see how they perform. I think we perform a very important role in that regard and these kinds of policy guidance are extremely valuable.

Just one final example and I'll stop. The NCAF guidelines on how to work in a post-conflict zone becomes very important on an interagency basis. I've had people from the U.S. government say we go to the table with Defense and State and they say they want to do it this way and they're able to point to guidance that comes out of the OACD that has basically international -- not law but it's international guidelines. And why do it differently? This is something that we vetted for the last two years. Why should we do it in a different way when this makes sense, creates an analytical framework for operating in that way.

So the OACD and the DAC are, I think, extremely important to the donor community but increasingly to a community much larger than just the members.

MR. UNGER: Well, thank you, Brian. I think you've shown in many

ways the value of the OACD and the DAC here today. So thank you all for coming.

(Applause)

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CERTIFICATE OF NOTARY PUBLIC

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.

/s/Carleton J. Anderson, III

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Expires: November 30, 2012