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AN APPROACH IN TRANSITION

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P R O C E E D I N G S

MR. INGRAM: Welcome, everybody. I'm George Ingram. I'm a senior fellow at Brookings and I co-chair the Modernizing Foreign Assistance Network along with David Beckman, who's with us, and Jim Colby.

We're here today to review what has been achieved in the quest to improve the effectiveness of U.S. development efforts, and more importantly, to see what might be accomplished in a second Obama Administration.

I would frame the conversation in three contexts: one, an Administration, which in its first term, had only three years to put forward its development reform agenda, but now in the second term has a full four years with most of its people and its policies in place. Two, the release of a series of recommendations from the Modernizing Foreign Assistance Network, which is available in hard copy here today, recommendations that are organized around the Administration's own framework that it laid out in the Presidential Policy Determination in 2010, and that's organized around three themes -- one is policy and programs to advance sustainable development outcomes, two, the operations of those policies and programs, how they are to be carried out, how they function on the ground, and thirdly, the architecture, modifications to the structures of government to advance development effectiveness.

I would note with respect to those recommendations that given the rumors and reports from last week that the Administration is contemplating reforms in food assistance, that you will find in those MFAN recommendations some recommendations to improve the effectiveness and efficiency of the procurement, delivery, and implementation of food assistance.

Unfortunately, we don't have enough details on what the Administration might propose, so we can't really talk about that in any depth today.

And the third context is the President's State of the Union address. I would guess that, except for the very few optimists in this room, given all the pressing issues facing the Administration, that not too many people in this room thought there would be much on development in the President's State of The Union, and in fact, what was there, was in a very short paragraph, but that paragraph was a full agenda. It talked about eradicating extreme poverty, empowering women, give our young and brightest opportunities to serve, help communities feed, power, and educate themselves, save children from preventable deaths, and an AIDS-free generation.

We certainly have the right panel with us today to address the topic of progress that's been made and priorities for the next four years. Our four panelists are all household names to this crowd and you have their bios --

(Laughter)

You can go home and tell your kids that you're a household name now, Steve. So, I won't go into long introductions. All have been involved for a number of years in efforts to make U.S. development programs more effective. Steve Radelet, Sheila Herrling, Connie Veillette were all significant players in the Modernizing Foreign Assistance network. Susan Reichle, who I first had the pleasure of knowing when I worked at USAID a while ago, has been rebuilding AID's capability in policy, evaluation, and learning. And I would note that that was one of the initial key recommendations of the Modernizing Foreign Assistance Network.

Steve we first ran into when he was at Treasury helping to design the MCC and have followed him to the Center of Global Development, State Department, USAID, and for those of you who haven't kept up with him, now Georgetown University.

Sheila was at the Center for Global Development working on these issues, involved with MFAN, and now is at the MCC.

And Connie was one of our great allies working for Senator Luger, then at the Center for Global Development, and now both with MFAN as an independent consultant.

My plan today is very simple. I'm going to start with a question, which all of the panelists will address, I then will move to specific -- a specific question for each panelist to which the other panelists are invited to comment on very briefly so that we can quickly get to an engagement with the audience well before 3:00 o'clock.

And when you see me look at my cell phone, I'm not checking my email, I'm not texting, I'm keeping time.

So, to the first question, which involves the elevation of development. The development community in the Obama Administration, and before that, the Bush Administration in its national security strategy, have all put a strong emphasis on elevating development in the policy making process as a co-equal with diplomacy and defense.

I'm sure many of us read with interest the op-ed of several weeks ago by U.S. Army Major John Wharton recommending, once again, that USAID be given a permanent seat at the National Security Council.

The beginning of the second Obama Administration is an appropriate time to assess what has been accomplished, and more important, and I hope this is where we focus most of our attention, what further can be expected and hoped for in strengthening the position of development in U.S. policy making. And we will just start to my right and move down the panel. Susan?

MS. REICHLER: Great. Well, thank you, George, and thanks to all of you for coming today to Brookings and for hosting this event. It's a great opportunity to be together with old friends and to talk about this important subject.

You know, when I look back on really the last several years and what we've been able to do as a community to elevate development, I really look at the entire network, and the first thing was, clearly, everybody's work in this room and MFAN in particular, to really push for a Presidential policy directive on global development.

That cannot be underemphasized, how critical and how important that was to really changing the trajectory, if you will, of development within the inner agency and really, you know, just globally, how we approached it, because it wasn't just a policy that sat on the shelf, it was a policy that many of us in this room worked on over the course of the year during the Presidential Study Directive when we didn't actually have leadership at AID, but we had the community and everyone rallying around looking at how do we use all of our tools.

And ultimately, as all of you know, what came out of that is that we really needed to use evidence-based policy decision making in order to really, really move forward on real development gains, and, you know, initially, after the PPD was approved, we went right into action. Again, it wasn't a policy that sat on the shelf and I think a lot because the demand from the community, and with Sheila over at MCC and Steve at the time was actually at State and I was at AID, really working that first year, in particular, on how are we going to implement the policy directive in everything from Partnerships for Growth, which we might talk about today, onward.

But the second thing, I think, that was really critical on how we elevated development was, again, getting back to the core capacities, that development is a discipline, and so in order for us to use this discipline in development in the same way that we used diplomacy and defense, we needed to bring back the core capacities, and those included, obviously, evidence-based decision making, so we needed evaluation. I'm very glad Ruth Levine is here today because she was really -- we were so lucky to

have her in USAID at the time to really help us lead in the effort to have much more high quality evaluations in order to make decisions to policy making, to strategic planning, to budget.

And, again, I get back to these were recommendations from MFAN and the community. So, I think bringing back those core capacities was the second thing.

The third thing, I think, that we did is we looked at that development has dramatically changed in the world. It is no longer with the U.S. and our allies having overseas development assistance being 70, 80 percent of what is invested in the country, but really looking at how the aid-scape, if you will, has changed, and how do we leverage the private sector, how do we work with youth in universities and those who are engaged in development in different platforms, and so really taking risks and being able to do that in that first term to set up things such as Grand Challenges for Development, which had never been heard of within the USAID prior to that, or Innovation Ventures where 65 percent of the winners of our Innovation Ventures have never even worked with the U.S. government before in order to really engage in development.

And then, finally, I think the other way we really elevated development was focusing on results and, you know, you most clearly see this, I think, within the Feed the Future Initiative, and how we really focused in on 19 countries and really demonstrated over a period of time reaching more than eight million children with better nutrition, and 1.8 million people having better access to technology and management practices, which culminated last year in the G-8 and seeing 70 companies, getting back to that the world has changed -- 70 companies that have committed \$3.5 billion towards the effort of agricultural development in Africa is just tremendous.

So, I think a lot has been done. Obviously, a lot more needs to be done and the President challenged us with something that we all believe is achievable by

eradicating extreme poverty within the next two decades and using the tools that we have, whether it's food security or child survival, as we've seen obviously child deaths decrease dramatically, but we know we can do more in all of these areas as we move forward.

MR. INGRAM: Thank you, Susan. Steve? And there are three or four seats up front. Please come on down and have a seats.

MR. RADELET: It's like sitting in church, though. If you sit in front, more is expected of you.

(Laughter)

MR. RADELET: Thanks, George. Thanks for -- thanks, everybody for coming out on this rainy day. We filled the house, which is great. It's really wonderful to see everybody.

The Obama Administration, in its first term, introduced a very wide agenda on foreign assistance reform with many very strong elements. And that agenda is underway in terms of its implementation. Many really important strides have been taken. It remains incomplete, as would be expected, after only a couple of years of implementation, but it's a very good agenda.

It's not 100 percent of what any individual person wanted, what I wanted, what any of us here wanted, what MFAN wanted, but it is very much the majority of what MFAN wanted, what I wanted, what most of us wanted. It's a good agenda.

I think the most important thing in the second term is to ensure the strong implementation of the reform agenda which is already in place and therefore not to push for a whole lot of new reforms. And I think there's a risk that if we spend a lot of time and energy and attention continuing to always push to put something more on the list of reforms, that we'll actually undermine the attention given to those reforms that have

already been decided and are underway. And I worry a little bit that the really important core reforms and changes that are in place may not get the full attention that they need to be successful.

And I would really, really hate to see in four years that we've got a longer reform agenda with very little of it fully implemented, and I think that's a fundamental choice that the community needs to think about a little bit, and I come squarely down on the side of let's push hard for successful implementation of the agenda that we've got, maybe a few things on the side or, you know, if something happens on food aid, that's actually potentially a really big thing, I'm not sure if there's the political muscle to do it, we'll see.

But I would focus on the big things, and the big things that are in place, which can fundamentally change what we're trying to do here, is number one, the monitoring and evaluation process. USAID has committed to publicizing 200 -- right?

MS. REICHLE: As many as we have.

MR. RADELET: -- this year, evaluations. If half that number become publically released, and if they're of any decent quality, which they will be, that can fundamentally change how the organization sees itself and how we go forward.

There needs to be much more work in the community of following what that process is: Where is it? What's going on? How can that community be helpful? How can we, as a community, give constructive ideas and criticisms for that? How can we, as a community, prepare for when some number of those evaluations are going to show failure? What's going to be the strategy to make sure that if, I don't know, 10 percent of these projects show themselves as failure, that that doesn't undermine the other 90 percent? Because it's probably -- I assume, I don't know, I have no inside knowledge on these, but I assume that, I don't know, 25, 30 percent of them are going to

show great results and another 40 or 50 are going to show okay results, and 10 or 20 percent may not look very good, and there's a huge danger that some people are going to cherry pick the bad ones and undermine all the good ones.

That needs to be a focus of attention. How do we get these M&E out there? How do we make sure they're high quality? How do we prepare for even better M&E going forward? How do we expand the toolkit beyond cost/benefit analysis, beyond randomized control trials, beyond other things, so that USAID and other development agencies have a good set of tools? That needs to be a big priority.

Second big issue around procurement reform, there's been tremendous misunderstanding, miscommunication, a lot of deep misunderstanding, part of it USAID's fault around procurement reform. If this is done right, and in many countries it is being done right, again, this could fundamentally reform the way we're going with huge positive impacts on building the capacity of many of the developing countries that we work with, but there's been lots of discussion, but a lot more heat than light, frankly, and we need to focus on how to bring constructive ideas to make sure that works well for the benefit of the countries that we're trying to work with.

Third big agenda item is around transparency and openness, the Open Government Initiative, foreignassistance.gov, and pushing that to its next level, getting more agencies to report their data, using the platform of the United States, providing its data, to encourage our partner governments to provide more of their data, and really blowing open and bringing that whole openness and transparency initiative to the next level.

We need a lot of energy on those kinds of things.

And then supporting new initiatives like Feed the Future, \$1.2 billion, big deal, where we have the opportunity to implement a lot of these new reforms in an

agenda around economic growth, hunger, and food security. How can that set of ideas and that initiative be implemented in a strong way and bring in the reform agenda that we've all been talking about.

These are the places where we need new attention in the second term.

I don't think we should be pushing for new things. I was a big supporter of the USAID administrator being named a permanent person on the National Security Council. With all due respect, it's a sideshow. We have stronger representation -- we, USAID has stronger representation at the NSC than ever before, the administrator is there all the time. He's involved in the debates. There is a presence and that's what we wanted.

Sure, if there was some -- this Administration named it permanently, maybe, maybe, maybe that has some marginal impact on the next Administration. It won't have any impact on this Administration, he's there, got a big role. I just don't see that as nearly as important in any grand scheme compared to the other issues that I've talked about here.

So, my view, and my plea to everybody, is let's embrace the agenda that's out there, let's be much more visible in terms of being constructive critics and providing constructive ideas to ensure that that agenda gets implemented so that four years from now we look back and say, you know what, the big stuff actually wasn't just talked about, the big stuff got done and there was a fundamental change in the culture in the development agencies. It's underway, but it's fragile, and it could easily be reversed or fall back if attention starts going off to other things.

So, that's my view.

MR. INGRAM: Thank you, Steve.

MS. VEILLETTE: Well, there's not a lot to say.

MR. INGRAM: Oh, Connie, I bet you can figure out something to say.

MS. VEILLETTE: And I will leave something for you, absolutely.

Okay, well, I have to agree with both Susan and Steve that there's been great progress over the last four years and I don't think that five or six years ago when I was sitting on the Hill that I expected to see this kind of progress.

Certainly, you know, USAID's been strengthened, USAID Forward, the number of new initiatives around Feed the Future, procurement reform, all the ones that they've talked about have been really important. So, I want to be constructively critical without being the skunk that comes to the picnic.

You know, the question was on, has development been elevated, and by strengthening USAID, yes, it has been to a degree, but that's only internal, those are only reforms internal to one agency and I don't think that those reforms are spreading to other government agencies and to the inter-agency process.

I think that the elevation of development is still a little bit more rhetorical than reality. I'm glad that people are talking about it in those terms, but I don't feel that we're there yet. I still see development being a tad subservient to diplomacy, I see this --

MR. RADELET: But not defense?

MS. VEILLETTE: Oh, well, yeah, defense as well. Yeah, I'll give you that. Yeah, absolutely. I see the State Department taking the lead on things that I've always felt were more on the development side. I see inter-agency infighting result in, for example, the Global Health Initiative not being led by USAID. That bothers me.

The State Department this morning had a conference on post-harvest loss, which I would have really hoped that -- you know, I would see that as being a part of Feed the Future, not a part of State Department. So, there's a lot more that needs to happen, and I agree with Steve that, you know, maybe the second term is all about

consolidation, but I would want it to push a little bit further in getting some more clarification around development being its own distinct discipline, as Susan and Administrator Shaw has said. I don't get that sense. I don't get the sense that folks in other parts of the Administration see it that way, and I certainly don't get the sense that Congress sees it that way.

And so, if there's one thing that I would love to see happen in a second term, which I think would help move the ball forward, it would be a greater engagement with Congress, and believe me, I know that dealing with Congress is not easy. I've been there. I've seen the inside of the -- you know, what they call the sausage making -- up front and personal. However, if you're going to have sustainability in programs, you need to bring Congress along in one way or another. Maybe that's in depth consulting, maybe it's working with them on legislation, but you've got to get them to buy in to some of these programs.

I'm a little concerned that setting this goal of eliminating extreme poverty -- I love the goal. I think that it's wonderful to have a really -- you know, now we know what it is we want to do and how to get our aid programs working towards that goal, but I fear that if we're not working with Congress on that, if we're not getting them to buy in, that we might not get there.

So, I'll leave it at that. I think I've left you something.

MS. HERRLING: First, thanks to MFAN. It really is a treat to be back. It was a fun -- very fun thing to be a part of and you've played a very useful role, from where I sit, in continuing to keep the debate alive. I think there will always be an interesting debate around how one elevates development and whether one does that primarily through architectural changes or primarily through, basically, just doing it better, really proving that it's a discipline, a development is a discipline, and I'm sorry, but we still

have to earn that right to say that.

And I am very proud, actually, of being part of an Administration that is focusing there and really getting to what is not so sexy, but which is the how. How do we do this? And it does mean lots of inter-agency meetings to see who's doing what and where there's duplication and what are we doing this for anyway. How do we put measures to that to prove that we're doing that, every step of the way?

And so you see a lot of this captured in the Partnership for Growth Initiative that just focuses on four countries, but really tries to get at the how, and in particular, how do you do things differently at the end of that. That story is still unwritten, so we're in the midst of evaluating a year under that program, and so I look forward at some point, George, of you having us back to talk about the results of that program and what really changed, if anything. What did it add up to?

I think that there are a couple of things in the "how" that I just want to focus on that weren't said by my colleagues. A lot of what Susan says really resonates with me, which is part of making development a discipline is really going back to this evidence-based decision making. Too often, we simply presume what works in development because we've been doing it for 50 years. Of course farmer training pays off, it's a good thing. Really? Because how do we know that for sure?

There is just not enough evidence in this field to support a lot of our claims. And so, through Feed the Future, which Steve mentioned, certainly through the MCC, and increasingly at USAID, this real focus on monitoring and evaluation, this real focus on a rigor around that, from beginning to end, and then being transparent about that, so something that I think Steve focused on and Susan too, I mean, being transparent about this comes with some risks.

MCC challenged that. We just released five of our first ever Impact

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Evaluations. We basically took that gamble with everyone and for many of you in the room, thank you, because we needed your support. It wasn't all perfect. There was a lot of good, thankfully, but it wasn't all perfect. But we have to be willing to do this and we have to take this evidence that we build and really adapt it to change business practices. We have to be able to start showing how we're doing this, and the biggest start in this is accumulating the evidence.

I'm sorry to say that we, as a discipline, I suspect many of you in this room are here for a reason, don't have a lot to bring to this right now, so it's building that, and I think you have an Administration that is deeply committed to building that evidence base and are starting with, you know, Feed the Future, with the MCC, building on some of the work of the Bush Administration. To give credit to the prior administration, they brought two game changers to this business, PEPFAR and MCC, and those both are influencing, rightly so, how this Administration is taking on global health and larger foreign aid reform.

And so, I guess it's just to say that it may not be so sexy, but how we do this business is actually going to matter in the end.

MR. INGRAM: Sheila, thank you. Thank you, all four, for keeping to the topic, short, substantive remarks. Susan, I'm going to give you the opportunity to give the audience a little teaser for the review of AID Forward that's coming out, and I'm going to assume that everybody in the room knows what it is and knows what the components are. Give us a little bit on what you're finding is the impact, the lessons learned, maybe some changes that need to be made, and do that in two or three minutes and we'll see if anyone else wants to chime in for a minute.

MS. REICHLER: Okay. I'll try quickly, and I'll assume everybody knows what USAID Forward is, obviously in this community.

MR. INGRAM: And that a progress report is coming out.

MS. REICHLER: Yes. Actually, I should highlight that, that the administrator will be releasing and speaking to everybody about the progress that has been made in mid-March, so I've had the opportunity, obviously, over the last couple months and yesterday, really, to dig down and review the progress, which came from the field, and it really is impressive, and I go back to saying impressive because as Sheila mentioned, this work isn't often sexy. This is the roll up your sleeves, the elbow grease, the work that we do out there in the field that is so critical to really being able to move the agenda forward and really appreciated Steve's comments about staying the course.

Because I think when I looked across the world of how we were really doing on the reforms, a couple things really stood out. I mean, one is that there is just institutional change, it's a sea change in how the agency is engaging in development, and that is exactly what we wanted, and that's what the President expected through the policy directive, that we are using evaluations and strategies in order to make decisions moving forward, and, you know, really to achieve irreversibility as we move forward on these reforms, because many of you have been in the development game longer than I have and you've seen reforms come and go, and yet, these are the core competencies of development to move forward, so really achieving that irreversibility.

And I think, you know, three things really stood out for me as I was reviewing the progress from the field, one, how we're engaging is different. We are now working, as we should be, as the PPD instructed us to, to really address the issue of country ownership, and so, you know, from Central Asia, we're embedding people in local organizations. I was recently out in Senegal where meeting with staff who are in the Ministries, really working with them on the reform process, as their countries move forward, to really seeing us, you know, move forward on the targets.

You know, the results are mixed. There's a lot of discussion about whether we should have these targets, but it's helped drive the change and drive the reform and how we engage and how we work as truly partners.

Seeing public/private partnerships over the last year leverage almost \$400 million in assistance. Our Development Credit Authority, which isn't new -- those of you who've been around know about DCA, but seeing how it's used in places like Africa now and really being able to leverage using mobile money where \$100,000 was paid in electric bills through mobile from cash in Afghanistan, I mean, just these reform efforts are taking hold in the field.

I think the second thing is really the institutionalized in the core competencies, getting it really back into the DNA. Having now 20 country strategies approved, 28 country strategies underway right now, having 7 policies on things that the President talked about the other night as being absolutely critical from the gender policy, which USAID hadn't updated its gender policy in more than 20 years, to obviously the evaluation policy guiding our way, these core, core competencies.

And then on our evaluations, what was really gratifying to see is how we're using the evaluations.

As Steve mentioned, you know, it's one thing to have these evaluations, but it's another thing to actually use them to make decisions. Half of the evaluations actually informed course corrections, everything from Mexico deciding that our TB program that we have there was not going to be sustainable unless we made some real course corrections in working with the government to do that, to budget decisions. A third of the evaluations actually informed our budget decisions where, you know, as the administrator said, if it's not working, we need to make a tough decision, as we did in Colombia where I recently served as the mission director. One of the programs that I

oversaw, I was glad to see it was actually cut off because it was not achieving the results that it should have been.

So, I think, you know, we're on our way. You know, building capacity is probably the third element that the community has really, really championed to get more Foreign Service officers and build that capacity. We're trying very hard through our DOI program and other means and we have 50 percent of our foreign service officers have less than three years in the agency, and that's an area we have to focus on because it's all about retention now and how do we mentor them and coach them and really engrave in them these core competencies, the discipline and development.

So, we're making progress, but I do want to echo what my panelists said about really, you know, staying the course and really digging down deep because this is the tough work in order to really institutionalize and really elevate development.

MR. RADELET: Thanks. If I could just add briefly and tie it to Connie's comments, which I wholeheartedly support the idea of elevating development and being seen as stronger and more credible up on the Hill and with others, I think the means to achieving that end is through implementing this agenda, as we've been talking about, and not spreading ourselves too thin. But the way that the model for change is to focus on a set of really key reforms and have AID, MCC, other organizations, be seen as stronger and more effective on Capitol Hill, in the Washington community, and by taxpayers that pay attention to this stuff, and that I think the keys to that, again, are the monitoring and evaluation, the procurement reform, our transparency initiative, and making those work will elevate development by having other key actors say, these are serious people with serious objectives working with countries around the world that matter for U.S. interests and for the interests of the world.

So, it really is that change model over time in terms of elevating

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development. And the more that we can focus on getting this stuff done, the more, I think, we'll be successful in elevating our development agencies by having them being seen as stronger, credible, more effective agencies working in our national interest.

SPEAKER: I think, I mean, just to add on that, I mean, the final chapter is yet to be written, right, and we're accountable for delivering on that final chapter, which is, so, what did you do with it all. What did you do with all of those reforms you made? And what did you do with all of those lessons you learned, right? We can't just learn our lessons and have them sit on our shelves or feel good about having done one public launch with them and received a respite from the community to carry on.

We have to write that final chapter on how exactly did we change our business practice. And I think, you know, Connie, I'm curious, you know, from your perspective, that's going to count, right? It's not just the story that we took on a set of reforms. And I think that's what is going to be exciting about sort of the first couple years of the next term is being able to actually tell the story of how business practices were changed.

SPEAKER: And I would just add that I want all the good business practices that are being changed at AID to also be changed at other agencies that are doing some type of development work. So, holding those other agencies accountable on transparency and reporting issues, getting data up on dashboard, I think we've got a long way to go and that speaks to what Steve talked about that we need to consolidate. Well, that's part of the consolidation at the same time that it's pushing it forward.

MR. RADELET: That's right.

MR. INGRAM: Thanks. Steve, what I really want to ask you is about your first research project that you're putting your graduate students to reviewing all of the writings that you and Sheila wrote about the MCC and coming up with a report card

on Sheila.

(Laughter)

MS. HERRLING: Very good, very good.

MR. RADELET: We've redacted the names. All of the authors have been blacked out. I don't know who --

MR. INGRAM: You don't know what happened. But instead --

SPEAKER: My staff remind me on a regular basis, so --

MR. INGRAM: One of your major focus at AID was rebuilding the competency of AID in economics. And give us a sense of what you were able to accomplish and what more you could see happening the next four years and where that will put AID.

MR. RADELET: Right, and I think this is a window not just on the economics -- and I'm sure this is behind your question -- but to other areas of core competencies at AID as well.

There's a hero in this story, her name is Mary Ott, who is now out in Egypt who's been working on these issues for a long, long time and she is one of the great assets of the development community and one of the finest, if not the finest, economist at USAID, and just a great person.

When I arrived at USAID, Mary counted up -- I asked, like, how many economists do we have, and of course got the usual bureaucratic question, which surprised me at the time, but I'm not sure why, well, it depends on how you count.

(Laughter)

MR. INGRAM: She didn't ask you, what is an economist?

MR. RADELET: Well, that was part of the question.

SPEAKER: How do you define an economist?

MR. RADELET: Masters? PhD? Did they actually have to be doing economics now? Well, that would help. But the number turned out to be about 17 economists that were actually doing economics in our 9,000 people that we have. And not that I think economists should run the world or anything --

MR. INGRAM: They should.

MR. RADELET: -- but 17 out of 9,000 just seemed to be a little, maybe, on the small side for an agency like USAID.

So, we're up, largely through the DLI initiative and through some other pushes now to have that, to have that number to be up over 70, which is a great first step. Whether or not we'll be able to continue that, who knows, but a lot of these are mid-career professionals that were brought in through the DLI. They're bringing great energy, enthusiasm, expertise and they're doing a variety of things to add to USAID's analytic capabilities.

One of them is actually ex ante evaluations, if you will, through cost/benefit analysis, which hopefully will be tied to the ex post or the concurrent and then ex post evaluations that are being done as well. AID actually was a leader in developing the whole tool of cost/benefit analysis 30 years ago and was absolutely on the forefront of doing this, and they stopped doing it and actually when I arrived, there hadn't been one -- there hadn't been any done for ten years, which is actually shocking.

So, this tremendous expertise of being on the forefront in the world of developing this tool had been totally lost -- lost, they're all gone, so AID hired Juan Bell, one of the great staffers who had helped develop this and then had left AID and gone to the World Bank, brought him back, and he's doing training. He's trained well over 100 staff on how to do cost/benefit analysis now, and there's an agreement within the agency that every single one of the Feed the Future programs will be subject to a cost/benefit

analysis up front.

That may sound like a small thing to you. That's a really big thing to have that important portfolio, Feed the Future, have all of the programs, and have that bureau decide and recognize, yeah, actually, this is a good thing for us, up front, to do this kind of economic analysis to be able to better decide, should we do farmer training, should we do a seed program, should we do an extension program, should we do a road, whatever it is it might be, and have a better analytic tool up front to do that.

So, that's one thing they're doing, another is to just do ongoing macroeconomic analyses of many of the big countries that we work in -- Afghanistan, Pakistan, Egypt -- where there's a growing recognition that what happens on the macro side has a fundamental effect on what USAID is doing, even if USAID is not working in the macro situation. If there's a financial crisis in Pakistan or Egypt and the exchange rate goes crazy, that's going to have a pretty fundamental impact on what USAID does, but there wasn't really the capacity within the agency to analyze that stuff and monitor that stuff on an ongoing basis, and now there's the beginnings of that.

And what's been interesting on those issues and a couple of others where we've been doing more economic analysis -- I keep saying we, but we're all --

MS. REICHLE: I like that.

MR. RADELET: -- we're all family.

MS. REICHLE: I like you saying "we".

MR. RADELET: We are all family -- is that it's created a bit of a demand, the supply creates demand, a little bit, that as the agency has begun to do these analyses, mission directors and people out in the field see the value of this, some of them resisting up front of, oh, my god, I've got enough paperwork to do and you want to do this other process, and I don't have time to read it -- but not all of them, but many of them,

see this and say, hey, this is actually valuable, I'd like to have an economist on my staff in the country, which there hadn't been very many.

But now there are more and more requests from mission directors who say they'd like to have an economist on their staff, and it's a little hard because you can't assign their salary to this project or that project and they're not doing program implementation, they're cutting across, but when you create better analytic tools and the audience sees it and understands it and then begins to ask for it, then you've created a really positive dynamic within the agency to get better analytic thinking.

Now, I've talked mostly on the economic side, which is what I know about, but there's -- I think that you can begin to see this in other areas of technical expertise as well, certainly agriculture and people with expertise in agriculture, of course health has always been there, a little bit on engineering, but the more that we can create that appetite to bring back that analysis, the better.

So, thanks to the DLI and with all credit completely really due to Henrietta Fore in the last Administration, who, in her wisdom, recognized she only had 15 months or however long she had, not much time, and she picked one thing and one thing only, which was to get authorization for 850 or something like that, DLI slots, and we didn't quite get them all, but most of them, and through that one step that Henrietta Fore took, she really did have a pretty fundamental impact on beginning to turn the agency around from its previous not so great days into where we are now. That was a big first step and that allowed us to begin to rebuild some of these competencies.

MR. INGRAM: Thanks, Steve. Unless there's urgent follow on, I'm going to move to the next couple of questions. Connie, you made a mark on a report that you co-authored with John Norris on selectivity. How does the Administration rate on selectivity? And what further could be accomplished, particularly considering that neither

the Congress nor the development community are particularly eager to give up many of their interests?

MS. VEILLETTE: Sure. How does the Administration rank on selectivity and focus? As we said in our report, not that great, good intentions, difficulty in getting there, not due to just their own actions or inactions, but because of the entire political system, Congress at the center of it.

I actually laugh because Steve was the chief economist, and you could tell by his comments, right, on role of economist, and I used to tease him and say that what they really needed down there was a chief political scientist because it's not just about doing a cost/benefit analysis, which is really, really important and I'm so glad that they're doing them again, but it's also about taking the results of that analysis and the evaluation framework and being able to use it to drive decisions through a political process so that you get to a point where you're being selective and focused.

When John Norris, at CAP, and myself wrote that report last year, we really took inspiration from the PPD. That was the document that talked about greater selectivity and focus, selectivity in what we did and focus in where we do it. So, John and I took that seriously and tried to then figure out how you would get there.

It was a fun process, actually, because John and I debated, along with our working group, just how you should be selective and focused, so we understand the pressures that go on in the budget offices at AID and at State.

We made a recommendation that in deciding what the U.S. does in its development programs that should focus around, one, where the United States -- where we thought the United States had comparative advantage, and two, were focused in ways and in places that you would actually see really, really good results.

I was delighted at the State of the Union when the President talked about

getting rid of extreme poverty or reaching an AIDS-free generation, because that's the focus and we can now take those two really huge and important goals and start asking ourselves, do our current aid programs at both AID and MCC are they focused on those - - on achieving those goals? And maybe the stuff that's not helping us eliminate poverty should be scaled back.

John and I didn't do that report because we were saying that our aid budget should be scaled down, but recognizing that we're in this period of budget austerity and unless the experts make the decisions as to where that funding should go, the decisions are going to be made by the non-experts and those are coming from the Hill, and it is going to be doing more damage to our development efforts than if we took a really long, hard look and scrubbed that budget so that we know we are truly being selective and focused.

So, I will leave it at that.

MR. INGRAM: Thanks.

MS. REICHLER: Can I -- no, thanks to Connie and John and all of you who worked on that report and having the opportunity to engage in those discussions, because, again, as Connie highlighted, I mean, the PPD talks about the importance of us being more selective about where we engage and more focused in how we engage, and we've struggled with that, I think, across the U.S. government for a lot of the reasons that Connie cited and having a chief political scientist is a great suggestion because I think, you know, again, this is an example of where the community speaking on this issue really helped us internally and spurred a process that we were able to make some traction on, which you'll see in the FY14 budget that's going to be presented where we're moving 11 missions into a very different engagement strategy, reducing our presence, whether in the form of offices or senior development counselors, and increasing our presence,

though, in those areas where we have said they are a priority. So, that's on the selectivity side.

On the focus side, again, having strategies come back, and we had to set some really sort of tough parameters initially in the agency as they were developing, as their missions were developing strategies, that you couldn't be all over the place and really getting out of sectors. So, we've been able to see, over the last three years, that we've actually reduced our engagement in certain sectors by 27 percent between FY10 and 2014, and that wouldn't have happened without, obviously, the clear guidance from above, from the Presidential Policy Directive, but also the community saying, you know, really, in order to make a difference against these goals, whether in the case of the first time food security, child survival, the goals that we've set out, we really have to be able to focus more.

And my expectation for the second term is that we're going to be able to do much more of that, and we're not the only ones. I mean, as I engage with our counterparts around the globe, every, every country is going through this process, and so one of the challenges we have is how do we do this together as a global community, because if you're on the other side, as a host country, trying to understand what DFID is doing or AusAID or CIDA or USAID, I mean, really being able to coordinate on that so we have a global approach.

MR. INGRAM: Thanks, Susan. And finally, Sheila, everybody here knows in some detail MCC's record --

MS. HERRLING: I always hate when you lead with that, I'm afraid what's going to follow.

MR. INGRAM: It means I want you to focus your comments, that's what it means, because we know a lot about MCC's record on accountability and

transparency.

MS. HERRLING: Yes.

MR. INGRAM: And literally in two minutes, so we stay on schedule, give us a couple of lessons that you've learned, because you were pushing this before you were there, and what you might -- where you might hope to push it in the next four years.

MS. HERRLING: Well, first of all, thank you, because this is a topic, you know, that I love and have certainly pushed at the MCC, but also pushed more broadly in some of our inter-agency discussions. I mean, I guess it leads with the belief that evaluation without transparency is just useless, and so I love that you sort of bundle evaluation and transparency together, that accountability without transparency is impossible, and that together, evaluation and transparency really form the basic groundings of an accountability mechanism.

And so, you will find me betting that in everything that the MCC does and pushing it across the agencies and I think, you know, with the support of Susan, she's just -- she's right there too, it really is one of the things that I've seen pay off, certainly in the Partnership for Growth, but also before us. It should come as no surprise that what was the first Executive Order that the President signed, day one? Transparency and open government, and that has then transcended everything, as certainly we've done in the development space.

And I think it's important because it is a belief that we have to learn and we have to learn from the evidence, which means we have to have the evidence, and then we have to be willing to be transparent about that evidence. And, sure, for our own domestic decision making process, whether it's fighting for our individual agency budgets, whether it's fighting for a robust foreign assistance budget, but more importantly, actually, is for the beneficiaries in the countries that we serve, so that they can hold their own

leaders accountable and so those leaders can hold us accountable so that they can better manage their development process and better manage all of the donors, which really bring an awful lot of chaos in those systems.

And so, I do think that the combination, the package of evaluation and transparency and accountability transcends a lot of what has gone on in the MCC, but certainly just across the whole development sphere. So, really, whether you see -- you see it in the PPD, you see it in the Partnership for Growth, and it has resulted in changes in allocations of funding.

So, if we look at Philippines, I mean, Susan, you were talking about changed practices, touching all that money in Philippines from security related assistance in Mindanao was unthinkable. And yet what happened? The vast majority of it is gone and rededicated to development priorities. That was big. That was a big conversation internally and it was a big result at the end.

Feed the Future embraces all of this, as Steve talked about, USAID Forward embraces it, it's in the DNA of MCC, so it's going further for us, so it's moving to open data and some big initiatives to outsource ideas.

It's certainly in the dashboard, the launching of the dashboard. Yes, it's not perfect. Yes, we need more agencies in there and we need to perfect it as it goes, but it's there, the structure is there for all of you to comment on and all of you to try to improve.

And then the State of the Union, so, yes, a small paragraph, but, man, that speech is built of small paragraphs and there are a lot of things that aren't in there, so really, it's huge. It's huge that it's in there, and I think that does put a mark that the Administration wants to do something in the second term.

It's still not going to be easy. We have a domestic economy to deal with

and a psychology that's really tough to deal with, and so we've got to face it head on.

And as Connie said, it gives you some things to put measures around.

MR. INGRAM: Okay. Well, I'm going to turn the program over to you all now. I assume there's a microphone that's going to be brought around, and please keep your questions focused, short, introduce yourself, and the panel will respond in the same way. Please. And the microphone is coming.

MR. COONROD: Thank you. I'm John Coonrod with The Hunger Project. I wanted to talk specifically about the commitment to capacity building.

It has felt, on the field/NGO side, that the push for the interpretation -- the implementation of the commitment to local capacity building has not been very inclusive of the decades of experience in local capacity building in the NGO community and that there's been, in addition, you've mentioned, miscommunication and things around procurement reform, but it seems that utilizing the skills and capacities of people who have been living in particular countries for 30, 40, 50 years has not been well taken into account, and I know USAID and InterAction have had a big project on this, but from your perspective I'd really be -- like to see how you see USAID and other agencies tapping -- making better use of the civil society that's there in designing that kind of work?

MR. INGRAM: And while the microphone's right here, let's go to Lindsay and then we'll come to the panel.

MS. COATES: Good afternoon. Thank you for a very interesting and stimulating panel. I'm Lindsay Coates with InterAction. I don't want to ask Susan a specific question about Food for Peace, but I'd be interested in the panel's reaction around how specific issues of reform are so difficult.

InterAction can't take a position and won't take a position on the discussion of zeroing out that program, but it has ignited a very vigorous discussion about

that topic. And I have two questions that relate to it. One is, sort of, what is your take on the politics of that and what do you think it means for the politics in relation to the Hill of foreign aid generally and how hard that is?

And then the other concern that we've heard articulated is that the EU moved away from monetization and one of the things that happened as a result of that was an overall reduction in dollars to feed poor people, which is a huge concern for everyone in this room. So, if you could comment, as appropriate for where you sit, on one of those two ideas as it relates to this possible change in Food for Peace.

MR. INGRAM: Okay, let me ask Susan to start the conversation on the first question, and anyone else can weigh in, and then Connie will start the conversation on the second question.

MS. REICHLE: Sure. Absolutely. I mean, building local capacity or building capacity in the country really requires everybody and there is a role for everybody within, you know, this effort, this real, you know, I'd say laser focus on sustainability, which frankly, we probably, at least within USAID and I can speak as a career officer, that we did not have that focus as intensely as we should have in the previous decades I've worked there on really how do you build the sustainability, how do you really work with host country counterparts, and not just speaking about government counterparts, but civil society and different individuals who are just engaged in the development in that society.

And so, unfortunately, one of the things -- and for those of you who were at the CSIS event last month when we were talking about procurement reform, is that is just a terrible name for that USAID Forward initiative, and I pledged there, and fortunately the administrator agreed afterwards, that we would rename that, because it's really about capacity building, it's really about sustainability, it really is a larger vision. And so we

need everyone from expats who have lived in some of these countries for decades to, obviously, local grassroots organizations to the highly technical skills that were applied in one country that can be used in another country to obviously working with our host country government counterparts, particularly when there is the political will.

So, it really does take everybody and so as we're actually looking at the next phase of USAID Forward and particularly this issue, it's how to reframe it with a higher level vision, that's one of the challenges that we recognize we did not meet in the first term, and how do we really reframe that in order to really engage the entire community in these objectives.

MR. RADELET: Good. If I can just follow up on that. I think that's right. As I said, I think this is really one of the most important things going on. I think the communication has not been very good. I think some of the things you point out are correct and that AID has not done as well as it could have on that, and frankly, there's been some miscommunication all around.

So, part of the answer to that would be USAID folks locally and here in Washington to step up and to try to be a little bit more inclusive. There has been a lot of effort here to include interaction, but part of it is, don't wait to be asked. Get some input going. Get a group together, write a paper, march on their door, get in there --

SPEAKER: There's been no shortage of that.

MR. RADELET: Good, well, then keep pushing that to get in. I mean, nobody ever asked MFAN to get set up, it just kind of did it. So, that's good, I'm glad to hear that, but it takes both ways. And I think most people in most AID missions, when provided constructive ideas and constructive input and criticism, will welcome that -- most, not all. And I know there's going to be all kinds of stories of some folks who want to resist this, whatever this is, whether it's procurement reform or capacity building or

whether it's monitoring and evaluation or transparency or cost/benefit analysis, there's going to be people who resist it.

So, but I think most people, when presented with good ideas given in a supportive way, will welcome it. So, you're right, but we all need to work on it.

MS. HERRLING: But finding these avenues for inclusiveness are really important, right, and so building them more purposefully into your model matters, right? So, at MCC we do have actually good experience as to what Steve is saying is, if you find these very purposeful modes of inclusion, so whether it's from a selection of countries in the first place, right, you have a very public process, you invite public comment, you respond publically to that public comment. There's one place. As you're developing your constraints to growth analysis, you are purposefully required to seek input from civil society groups in the country, the government is, and report on that, and we respond to that. To choosing investments, looking at once you've identified the constraints to growth, what investment is actually not only going to have a return on your dollar, but also impact certain portions of the population in a different way. That area there is really important for civil society and it's actually changed some of the investments that the MCC has chosen because of that.

But you have to be very purposeful about requiring it, holding your counterparts accountable, and then being transparent on how you use that in your process.

And then the second is capacity building, and there, I mean, to be honest, I'm struggling with that issue at MCC. It's something that we say we want to do a lot of and don't, and so it's hard because it's hard to get those programs to pass our economic rate of return, you know, our hurdle rate, so that's just a complication from the get-go of our model.

But we've found ways to do it through this sort of interesting -- through the threshold program, these social accountability facilities where NGOs come in and they put in proposals for grant money to monitor the effectiveness of their governments, and so this has been an interesting way to test capacity of NGOs to do the thing, to monitor a set of policy reforms.

The other area I'd really like to try to figure out is building capacity in evaluation. In the countries we require our partners to do this, to get the data, to do the monitoring and evaluation, which we then sort of validate, right, but they're doing it. Capacity is really weak, so finding ways to build that capacity.

But just to be honest, it's been tough. It's been tough to do, so I welcome your ideas.

MR. INGRAM: Connie? There seems to be a notion that there's politics surrounding our food assistance program.

(Laughter)

MS. VEILLETTE: Oh, not at all, not at all. It's just well meaning people.

Yeah, it is really political and it's one of those issues that crosscuts domestic and international politics and they've come up with this really bad term for it called inter-mestic politics, which I just don't like whatsoever, but so for those of you that don't know why even the question has come up, evidently there may be something in the 2014 budget on food assistance, food aid. We don't know what it looks like.

The reason why George directed the question at me is because I'm not in government and evidently -- well, obviously --

MR. INGRAM: And you worked on this a lot in the Senate.

MS. VEILLETTE: And I did on this a lot. But, you know, before the budget comes out, folks in the Administration don't like to talk about these things, but

obviously someone in an agency, not State, not MCC, not AID, but one of those agencies that I argue is not totally on board, released some information, and so there was a report on there that said that the budget was going to have either a cut or a zeroing out of PL480 and possibly -- or possibly some reforms to it.

So, you know, we don't know what that looks like and so it's really difficult to comment on it on a specific proposal that we don't know what it looks like.

So, let me just say, in general, you know, there have been plenty of studies done about the inefficiencies of how the United States does its food aid programs, not because of any individuals in any agencies that are administering them, but because of just the rules that structure how we do them, largely revolving around cargo preference, limitations on local and regional purchase, and monetization. And those have been the three areas that folks, myself and John Norris, again, my partner in crime, have made recommendations that we try to get some reforms.

GAO has done studies pointing to how much transaction costs are involved that eat away at up to a third of our budget for food aid. That's a lot of money that could be -- that we could stretch those dollars a lot further if we could do these kinds of reforms.

Now, having said that, there has been some progress, there's been progress on allowing more local and regional purchase, there's been some progress made on cargo preference, but we're still not there. We still don't have programs that are totally effective.

Groups oppose reforms for a number of reasons. I mean, obviously, the shippers are very, very powerful and they want to keep shipping U.S. food aid on their ships, on U.S. bottoms. Some of the commodity groups, you know, whose farmers benefit from selling to the government obviously want to keep it the way it is, and there

are some NGOs that benefit from monetization.

You know, I think that the safest way to go about that kind of reform is to make sure that those groups can continue doing their really, really good work, but just with a different source of funding so that we're not having to take food, sell it, you know, go through the entire process -- ship it, sell it, so that they can get funding to do their types of projects.

So, I mean, in the final analysis, we just don't know what is going to be in the budget, so it's hard to comment, but I think that, you know, if you're going to make any movement on food aid reform, I think it's going to be now, I think it's going to be when we're in a period of budget austerity and we really need to look at what programs are being the most efficient.

So, I'm hoping that a coalition, and hopefully a lot of you in the room, a coalition around doing things better and more efficiently is going to outweigh this other side of the equation that is arguing -- trying to turn this into that this is a proposal to zero out food aid. I don't think it is. I just -- I can't -- I can't see it.

MR. INGRAM: Thanks, Connie. Okay, Susan, what's the President going to propose?

(Laughter)

SPEAKER: You've heard it here first.

MR. INGRAM: And Steve, in the church of development effectiveness, we move to the back very quickly. So take the -- there you go. Eric.

MR. LIEF: Hi. I'm Eric Lief. I'm with the Stimson Center, and I --

MR. INGRAM: That microphone's not on. Speak up, Eric, don't be shy.

MR. LIEF: I'm Eric Lief. I'm with the Stimson Center and my main credential in life is I used to be George's budget geek on the committee staff.

Connie, you already said you were the skunk at the picnic so I'll join you. We can be two skunks. In terms of the current budget situation, the doubling of foreign aid or development aid that was in the first two budgets, of course, is now gone. So, we're seeing a much smaller envelope.

What -- I'm looking for the possibilities of what you see as two impacts. What do you think of the possibility of greater multilateral engagement as a way to, let's say, use that money more cost effectively? What do you see as the expanded use of innovative financing tools such as DCA, which I really think is something -- I know it's expanded under the current Administration, but it's revolutionary from a U.S. point of view, and could it be exponentially expanded in that same way?

MR. INGRAM: All right, let's take two more questions in the back there.

MR. RIEFFEL: Thank you. Lex Rieffel with Brookings. George, you quoted from the President's State of the Union Address and if I heard you correctly there were some words there about opportunities for youth to serve. Can anybody on the panel elaborate on that?

MR. INGRAM: You want to know what that means?

MR. RIEFFEL: Yeah, things seem to come out of the blue.

MR. INGRAM: Right.

MR. ADAMS: Hi. Gregory Adams with OXFAM. Thank you, all, for this presentation and for the tremendous work that we've seen come out of this Administration in these reforms over the last few years. We've seen a real change on the ground. In fact, OXFAM has been conducting field research looking into these reforms over the last several months, which we're going to be publishing shortly, but our top line finding was that of the people we talked to across seven countries, U.S. government development partners, 83 percent said they had seen a significant positive change in the

way the United States government engages.

These reforms are clearly taking hold at the local level. People are clearly seeing the United States as a better partner. And yet we continue to be concerned about the political vulnerabilities of these reforms still in Washington, and we've heard the panelists kind of say it yourselves. We know that the Administration has been very reluctant to engage with the Hill on legislation.

Sheila mentioned PEPFAR and MCC as two very important legacies of the Bush Administration, both of which have been so successful because they've been enabled by legislation. The Hill has been a complete partner on these.

Knowing that you guys are reluctant to actually articulate specific legislative acts for the Hill, and I'm not going to try to put you on the spot with that, I just want to ask, what is the strategy for bringing Congress along on questions like when these new evaluations come out and we start to get the questions about whether or not they demonstrate success, failure or learning? How does the Administration intend to engage the Hill and bring them along as a full partner so we can have that important political conversation about what we're really trying to do here and what success looks like?

MR. INGRAM: Thanks. You know, I think on all three of these questions, Susan, you should kick them off and let's kick them off one at a time.

MS. REICHLE: Okay, sure. Yeah, absolutely. I mean, Eric, your question about innovative financing and really looking at how do we do business differently, that's the crux, and that's why I said, you know, one of the highlights, I think, of the first term was we were, in a sense, authorized to look outside of the box, as you said, take the risk. I mean, Secretary Clinton was very clear and Steve (inaudible) came over to AID quite frequently and really pushed us to really, really push the envelope and,

you know, look at innovative ways to engage.

And so, you know, having the DCA, which again is an old tool, but with really a fresh face on it, and so that missions looked at that differently, and as a result we were really able to increase our engagement significantly with \$194 million in FY11.

So, you know, we look at that going up, up, up to the public/private partnerships, to, you know, multilateral engagement because we are a small player. Our role is as a convener, our role is to leverage, and so an advantage of having so many new officers in the agency is they're learning their role differently compared to those who've been around who have always seen, maybe, their role in a more traditional way.

MR. INGRAM: Good.

SPEAKER: Well, you should talk about Feed the Future, really. I mean, Susan, and this was an example of the U.S. realizing it's bigger than us, and putting global food security on the global economic agenda, really getting the full force of the G-8, of the G-20, of the multilaterals behind that. And I think that is one of the standing examples of going multilateral and why it made sense.

MR. INGRAM: Sheila, MCC, I think, is perceived by most people as being a bilateral program. To what extent are there multilateral aspects of it or trilateral?

MS. HERRLING: Very little. I mean, again, it's something that certainly my predecessors tried as well, is to find creative co-financing mechanisms. I mean, what we do well is make sure we understand the landscape of donors in the country, make sure we understand and have some general consensus on what are the most binding constraints to growth in that country, and there we work very closely with the IMF and the banks, including the regional banks.

Where we are less successful is being creative on financing. We've got to figure it out, I mean, we've got to, and one of the, I hate to say, benefits, of this budget

climate, though it is, is it forces you to be more creative and it forces you to work through some of those things that held up moving in this space before. We've got to figure it out, but to be honest, we've not done a good job yet.

MR. INGRAM: Connie?

MS. VEILLETTE: Yeah, let me say that, you know, if we're looking at this from the lens of budget austerity, you know, the question is, how do we be as effective if not more effective with the same amount of resources, maybe less resources, and I think that you've got three avenues here. You know, one is around efficiencies. Obviously, what I'm advocating on food aid reform gets to that efficiency issue.

But there are other areas that you can look at for efficiencies. And then, obviously, innovations, you know, how do we use new mechanisms that are very, very -- much more effective than what we're doing. And then the third one is to look at new partners and that's, I think, you know I say new partners, I'm not necessarily saying new because we use multilateral instruments all the time, but maybe we need to look at to what extent can we use them more.

Partnering, though, with the private sector, you know, this has become in vogue to try to bring the private sector in, but what does that really mean? Does that mean that we're just trying to partner with U.S. businesses to give them kind of a leg up? Or are we trying to partner with local businesses and entrepreneurs so that they can work within, you know, a business friendly environment, that they can have a regulatory environment that supports their being able to create and expand their businesses? So, I think we need to look for partnerships in that respect.

I also think that we can be working better with both emerging economies and with traditional donors. Something else that the PPD talked about was, you know, better collaboration and even achieving a division of labor among donors. That's

something that we -- that's still hanging out there. We haven't made much progress on that.

We've started to look at and to do trilateral cooperation where we're working with an emerging economy doing development in a third country, in a developing country. We've just started that. It's gotten some pushback but I definitely think that's a way to leverage additional financing, leverage expertise that could benefit everyone. So, those are just some ideas.

SPEAKER: And leverage the policy reforms. I mean, when we have a united front on the policy reforms, they're so critical to sustaining any investment that any of us does, regardless of what vehicle we do it from, that's where there's actually been some work.

MR. RADELET: So, Eric has put his finger on what I think is one of the great development challenges for development agencies around the world for the next decade, because I think our budgets are not going very far and we need to figure out how to get more out of it in the three ways that Connie mentioned.

On this issue of private sector investment, look, this is the future, that's where the money is, as our friend Mr. Dillinger said. In 2000, around the world, the total private capital flows to all developing countries was about \$180 billion. Today, after the financial crisis in 2010, it's over \$1 trillion -- \$1 trillion. So, first of all, that's a big number, I don't care where you come from, but it's also six times larger than it was just a decade ago. So, it's growing enormously.

Now, a lot of that money is focused in middle income countries and less so in low income countries, so it's not like it's going to replace ODA, but that's where the money is and I think one of the big challenges for development agencies is to figure out how we move from a model where the traditional development providers are the funders

of projects, to be instead the leveragers, the risk-sharers of capital. Used to be the private capital wasn't there. Instead of absent private capital, we need to leverage because I think with some risk sharing and leveraging that trillion could be two trillion and could really begin to impact in low income countries.

Now, having said that, the development agencies haven't figured out how to do this, which creates an agenda for all the smart people in the room here over the next few years. The DCA is a great first step. It's a small tool in which USAID works with local banks typically to provide loan guarantees for small and medium loans, could be anything, but with the local banks, lend out to local businesses, and they typically will cover 50 percent of the losses.

And so, local banks, which are reluctant to get into working with SMEs for all kinds of good reasons, all the sudden somebody comes along and says, we'll cover 50 percent of your losses, they say, I'll do it, that's a great deal, and they go in and they find out their losses are not very high, right, because these are actually hungry, smart businesses.

So, AID says we'll cover 50 percent of the losses, losses are tiny. So, therefore, AID is finding that it's leveraging this money 28:1, that is, for every dollar it actually has to spend on a claim, lending by these banks is going up by \$28. What a deal. That's the kind of thing we need to do more of. There's all kinds of ways to do this, could be working to cover risks and leverage investment by working with upstream suppliers, there's work with Wal-Mart and others to work with the quality of supplies so that that covers an investor's risk to come in that they know that they'll get higher quality produce.

It could be an equity fund, there's lots of work on that, but that might be more in the future. It can be just covering the costs for private investors for due diligence

instead of every firm coming in and doing the same due diligence, make due diligence a public good.

It could be the business environment, there's a whole big agenda out there that I think can begin to unlock a lot more private sector investment, which we're just touching on and it's ripe for great, imaginative new ideas.

MR. INGRAM: Lex has raised the issue that caught my attention in the President's State of the Union, and that is his comment of giving the young and the brightest an opportunity to serve, and my guess is, that was put in there as a challenge to all of us, as a challenge to the agencies and a challenge to us to say, how can we do that. But Susan wrote that paragraph, so she can tell us.

MS. REICHLE: Hardly, hardly. You know, it's always exciting to see what does he actually say because you write all these papers for months on end and then you wait until that evening. No, but on this, I think, it is an important challenge to all of us and it's one that, you know, we've taken up and I hope some of you attended or have been part of the Higher Education Solutions Network, which we launched in November with seven universities here in the U.S. as well as Makerere University in Uganda, and it's really, how do you connect the youth, who are doing just incredible work around the country, and not just in universities, but obviously this is targeted toward universities, and connect them to a mission, because it's a good, I think, segue from the last question because there are lots of development actors who don't consider themselves development professionals, and if development is a discipline, it's how do you take these actors who are engaged in the development space and help the acquire some of the discipline and mostly, importantly, engage with all of us to really, again, get back to Connie's mantra of focusing in to really achieve big results.

And so, that's what we're trying to do, I think that's what the President

challenged us to do in the second term. We're working, obviously, on several initiatives getting away from Steve's thing of no new initiatives. There's always something new. But I look at this as more of a way we do business as opposed to a new layer.

MR. INGRAM: Okay, we have four minutes left.

MR. RADELET: I would -- I'm going to get in trouble if I don't say the answer to Lex's question: more Peace Corps volunteers.

(Laughter)

SPEAKER: That's right. Now you can go home tonight, Steven.

MR. RADELET: Best investment, we make double Peace Corps volunteers. They can't find places for the thousands --

MR. INGRAM: Steve, keep this out of the family.

MR. RADELET: -- that want to serve. So, that's how we do it.

MR. INGRAM: He's getting too personal now.

MR. RADELET: I have a little bias in there.

MR. INGRAM: That's right.

MR. RADELET: But it's true.

MR. INGRAM: Greg's question on how do we institutionalize this by engaging the Congress, I will combine with my final question, which is -- and we'll take your names off the answers: what's your wish list -- what's your one big wish for the next four years? And you each have a minute.

Sheila?

SPEAKER: You didn't have much time to think about that, did you?

MS. HERRLING: Look, I guess it comes down to, I wish that we could, you know, get back to this belief that this great nation of ours can walk and chew gum at the same time and stop, you know, this false choice of, you know, it's either/or. It's either

we work on our domestic economy, or we cut foreign assistance.

It's 1 percent of our budget, for goodness sakes, and it delivers such a return on that investment. So, I guess it's something as simple as that, but it also comes with, perhaps, you know, the greatest thing we could do is get our economy in order. Look, we are the single biggest economy in the world and trade matters and importing goods matters, and so we've got to keep trade flourishing. That means getting our economy back on track.

Contagion is real, right, so getting our economy back on track means we diminish the risk of contagion. There is something to this expression of when the U.S. sneezes, the world catches cold. That's trade and it's investment, and so this causes a ripple effect.

Revenues, right, a good strong economy gets the revenues we need to be able to fund the things that matter. And then having a good economy just gets our psychology in the right state of mind.

You know, it's just a fact that when we have troubles in our own economy, we start looking inward -- Congress, people, it's human nature, but we can do something about that now. We can change that. That's what you guys are all here for. That's what we're trying to do, which is prove that this is still a good investment and a very small investment as a portion of our budget.

MR. INGRAM: You've set a good example for the rest of us that we need to think outside our own space. Connie?

MS. VEILLETTE: You know, if I had to name one thing that I'd like to see, and that would be the passage and signing of a really well written foreign assistance authorization bill. And I say that not because it's been a personal aspiration and I did some work on it, but because it would signal to me that we now have reached a spot

where partisan divides are being set aside and the Administration and Congress actually work together on a joint project of some importance to get a bill through Congress and signed by the President.

That would be huge. I mean, the fact that that the process worked, that actors made the process work, may be, you know, a bigger deal than the actual piece of legislation. I would love to be able to see that.

I'd also like to see that, you know, that the reforms that we've got going are consolidated, that everyone agrees that that's just the way things are done, you know, at the end of four years, and I would really love to get the inter-agency process worked out a little bit better.

MR. RADELET: Now you really are dreaming.

MR. INGRAM: Now this is really --

MS. VEILLETTE: He would not admit it inside the Administration -- he admits that it's a tad dysfunctional, and the way that I see it is that you can have other agencies involved, but you have to have a lead agency, and agencies need to know what it is that they're doing and they need to stay in their own lanes, so everyone's on the same road, but agencies stick to their own expertise, stay in their lanes, do not change lanes without a turn signal, and that you've got -- and that you have a lead agency that's tapping into that expertise of those agencies.

So, for example, Feed the Future, with USAID as the lead agency, is actually working and it's gone from -- as soon as USAID was put as the lead agency of Feed the Future, the inter-agency dysfunction decreased. It didn't go away, but it decreased, because now there was a lead agency that could be leading it.

So, I would love to see, dare I say, that GHI be put on the same road with a development --

MR. INGRAM: Connie's moved us from wishing to dreaming. Well done, Connie. I love it. I'm with you.

MS. VEILLETTE: You told me to think big and outside the box, so I just did.

MR. INGRAM: No, I like it. Steve?

MR. RADELET: So, this is partly in response to the last question that we had about the political vulnerability of reforms and bringing Congress along. So, four years from now when President Clinton is just starting her term, I hope that we're looking back at all of this and saying that there has been great success in these key issues of monitoring, evaluation, and being serious about understanding what works and what doesn't work about local capacity building and the way that the agency operates around being transparent and open in accountability, and that that is the foundation for people to say that USAID, MCC, the development agencies, are strong and that they are effective, and therefore, that's the path to bringing Congress along, that's the path to making sure this stuff sticks, not words, but actions and results, and that's the path for getting ultimately the legislation that we'd like to solidify this stuff, that the model for change get these big things right in the next few years to convince people that times have changed and that these are serious, important endeavors and that they need to be strengthened even further to set the stage for even further reform.

So, that's what I hope to see four years from now.

MR. INGRAM: Susan?

MS. REICHLE: Well, I love all their wishes and dreams and I support them all, obviously, and I guess, you know, from my perspective, really each of those things are so important and I think all of them together, perhaps, not sequentially, but just really together, would support my one wish and that is that there is a real understanding,

a deep understanding and a constituency for development the way we see it around diplomacy and defense.

I think, you know, clearly, the Secretary -- Secretary Clinton's tenure really elevated diplomacy in a different way, as well as development, but really diplomacy as a lead and defense, obviously, has an enormous constituency, but that the average American, whether you're a businessman in Toledo or, you know, a grassroots organizer in San Francisco, understands the importance for, as Sheila said, the economic reasons as to why we are engaged in development, to understanding, as Steve so eloquently said, about the importance of what it is we're doing bringing Congress along, because when they see that there are real sustainable changes within countries, that they see those countries where we did invest -- you know, 40 years ago many of you in this room - - 50 years ago -- are our trading partners and it is better to have, obviously, stronger, stable countries, that they understand the average American, that this is in our national interest, as well as obviously as part of our core values.

And so, that's my dream, that's my wish. I think all of you are such an important part of helping us get there and also, most importantly, holding us accountable because if we don't deliver, we're not going to create the confidence within the public in order to attain that.

SPEAKER: You get a wish, George. You can't get out of this.

MR. INGRAM: I have to say, my last question was much more successful and productive than I dreamed about. You all have given a wonderful vision from where we come from to where we have to go, and so I think we do have our work cut out for us, and please join me in thanking the panelists for an excellent discussion.

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