THE BROOKINGS INSTITUTION

MAKING LOCAL OWNERSHIP OF INTERNATIONAL DEVELOPMENT A REALITY IN
THE 21st CENTURY

Washington, D.C.

Friday, June 27, 2014

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P R O C E E D I N G S

MR. INGRAM: Good morning. If you respond it means my microphone's working.

SPEAKER: Good morning.

MR. INGRAM: All right, the microphone's working. Thanks for coming today. We've been planning this session for quite a while. I'm going to start off by introducing the panelists. I'm going to say a few words, and then we're going to quickly get started. I'm not going to spend a lot of time introducing because I think most of you probably know all three gentlemen personally.

Larry Barber, who's at the PPL Bureau at USAID, has served in various stints at the agency. He's up here this morning because he has really been the pusher and mover on the issue of local ownership and the recently released AID paper on local systems.

Paul O'Brien is with Oxfam. He spent 5 years in Afghanistan, so he's had a lot of on-the-ground work. I think in recent months became a US citizen.

MR. O'BRIEN: A year now.

MR. INGRAM: So, you were cheering for America yesterday?

MR. O'BRIEN: Yes. Oh, yes. Best loss we've ever had.

MR. INGRAM: Patrick Fine had one career with USAID. He also served in Afghanistan, was at the MCC, and a couple months ago became president and CEO of FHI 360.

We had another event in here yesterday with just as many people. We had the big screen up between 12 and 2 o'clock. I just want you to know how hard the staff at Brookings were working yesterday making sure we are working towards a better final world.

Those of you who don't have your offices in this circle, the German embassy put a big screen up in DuPont Circle, and there was a -- I would say -- massive party yesterday afternoon around DuPont Circle.

Anyway, I had originally thought that I was going to pose some hard-hitting questions to each one of these individuals and make them talk about what I want to talk about. I realized quickly that that was a futile effort; that these three individuals have very strong views on development and what it means.

So, I'm going to lay out some context. I'm going to raise some issues for a couple of minutes, and then I'm really going to turn the dialogue over to them for a couple of rounds of having a real conversation, and I'm going to quickly turn to you all.

Rather than leaving the audience with the last 5 minutes or 15 minutes, I really want to give you -- I want you all to own part of this meeting; this is appropriate for what we're talking about, and leave at least half the time or more for your engagement with the panel.

I'm going to raise a few issues that are raised in those three background papers that were provided in preparation for this panel. The first is the USAID paper on local systems. What I like about the paper is it begins the conversation on risk and beginning to talk about the need to weigh risks when we're talking about using local systems and local ownership.

That paper identifies four different types of risk: Contextual, programmatic, reputational, and fiduciary. Unfortunately, most of the conversation around local ownership has been on that last risk; has been on the fiduciary risk. Most of the effort that I've seen by the US government has been on that risk and not on the other three.

But the paper does say the next step is to round out our suite of rigorous

risk-assessment tools so we have the same ability to identify the contextual and programmatic factors. Great, I said. Then I said to myself, wait a minute. The fiduciary risk-assessment that AID uses is a rather lengthy, intrusive, multi-phased, many-month process that probably produces a lot of paperwork while at the same time there are two or three international risk-assessment instruments. Why don't we use those? Can we figure out a way to assess the programmatic risk and the contextual risk in a way that is not a lengthy, cumbersome process?

The other comment I'm going to have is on the thirty percent, and I would call the thirty percent, sort of, the big bugaboo about local ownership. I raise this not because of the particular number, but because of the concept of assessing local -- how we're progressing on local systems and local ownership through how much money we're moving through local systems.

I know that useful in the early days to, sort of, kick the bureaucracy into action, but I think it's very important that we move beyond that, and we develop real measures -- substantive measures -- on how we're progressing; on helping to contribute to local capacity and local ownership.

On Patrick's paper he makes the point the discriminating between which requirements demand the assets of an international organization and which are better suited to local organizations. This is one of the key elements in this conversation, and it was pointed out in an Oxfam blog that I read recently that the RFAs and RFPs don't do that; that they are written for international standards. They are written for organizations that have the international standard competence. Isn't it time for us to write some of these programs and projects in a way that really deal with the local context more and the local level in how you engage in some of these programs?

The third document that was provided for background was the new

MFAN policy paper, *The Way Forward*. It talks about ownership in three ways: Ownership of priorities, implementation, and resources. When you think about ownership of priorities and you think of the macro level, you immediately run into congressional earmarks and presidential initiatives and to the realization that the US has certain interest in the world, that foreign assistance is a political tool that is driven through our political and policy processes, and ultimately we're not going to get to nirvana of having US priorities set in developing countries.

But I think a step below that level of how you implement those priorities -- how you figure out the priorities within the priorities, what it is you do within health, what it is you do within democracy -- they can be driven by local priorities. The way we implement these programs very much can be that way.

On resources, PEPFAR is creating a model that joins US with local resources. The G8 and others are increasingly focused on how foreign assistance can be used to help countries generate their own resources, their own revenues. Maybe that's one of the key elements of how we can move on local ownership.

Finally, I'm hoping the panelists will talk a little bit about the tensions within local ownership, and the tensions between local ownership and accountability and results, and how we balance those goals of trying to progress -- to advance local systems and build up local competence at the same time of making sure that we're accountable and we're having good results.

As part of that, I really would like each one to, in their conversation -- hopefully maybe at the beginning -- tell is what they mean by local ownership. What does local ownership mean to them? I know this sounds like a very basic question, but I think it's something that we haven't come to a consensus on, and we need a conversation. Larry?

MR. GARBER: George, thanks very much for hosting this panel and providing all of us an opportunity to share our perspectives on this important set of issues. All I can say is if this room today is as crowded as it was yesterday for the game, then the issues has more dynamism than I could have imagined when we first started on the subject.

MR. INGRAM: We'll see if we get the passion today we got yesterday.

MR. GARBER: We had a session yesterday at USAID actually right before the World Cup game with our mission directives from several countries including Ghana, Morocco, Angola, South Africa, and Armenia. I wish that I could convey their enthusiasm for our effort to work directly with host-country actors and the specific examples that they provided with how this is working in practice.

It truly was impressive, and we often here in Washington don't really appreciate what is going on in the field and how people are internalizing some of the ideas and doctrines that we're putting out there. But they really responded with specific examples of how this is working.

Our goal with local solutions is to create conditions whereby countries can resource and sustain their own inclusive and sustainable development. This requires that countries have strong local systems in the public sector, but also in the private sector, civil society, and within the academic community.

Thus, as an agency, we are committed to using strengthening and partnering with local actors to achieve development outcomes. Again, these development outcomes we want to have defined by the local actors, but we play a role; we're part of the conversation in terms of some of the issues that we've been working on.

The paper that you mentioned, the Local System Framework, outlines the key elements of how we are proposing to meet this comment, and I should say it

applies to all of our programs; it's not five percent, not ten percent, not thirty percent. It's a framework that we really want to embed through our project design process into how our missions think about the full range of programs and engagements that they have in the countries where they're working.

What are the elements of the framework? First, we need to understand what constitutes the system, the role of different actors, the rules that govern them, the relationships among the actors, the resources that they have available, and the results that the system is trying to achieve. We call this the Five R's.

Second, we outline ten principles of how we can work most effectively using the systems approach. These are not radical propositions, and many of you with considerable experience that exist in this room will recognize them as good development practice. But we think it is important to bring them together in this coherent fashion, and again to encourage our missions and our partners to think in this way systematically as they design and implement programs.

Third -- and George already alluded to this -- we seek to recalibrate the discussion of risk away from an exclusive emphasis on fiduciary risk to include other risk factors; most notably the risk that a program will either in the immediate term or in terms of achieving sustainable outcomes.

Finally, we are encouraging an approach to measuring results that moves away from a focus on a single activity or institution, and instead seeks to measure the capacity or strength of the system as a whole.

We recognize that this framework is just a first step, and there is still much work to do. I should note that much of this work is already underway at USAID. Our very dynamic local solutions coordinator, Liz Warfield, is here in the audience and has been doing a great job of mobilizing us to follow-up on the work that we did in the

framework.

We recognize, for example, that we must develop a risk-assessment framework that does not lengthen the time required to implement a project, but shortens the current lengths that we are experienced with the public financial management risk-assessment framework that we introduced several years ago when we began with a focus on G2G.

We know it's a problem. The length of time from starting that process to actually reaching an agreement with the host country government can be more than two years, and that's just unacceptable. We need to address those issues even as we rethink and recalibrate the risk issue.

We also are looking to work with other institutions, like the World Bank and others, to see how we can conform some of the assessments that we're all undertaking that will serve each of our respective needs so there isn't this multiplicity of assessments that confront the host country in terms of working with donors.

Similarly, with respect to measurement, we are working to develop a tool that will allow for measuring the system as a whole. Again, I invite many of you in this audience who are involved in thinking about these issues to engage with my colleagues who are involved on this issue.

But even while this work is underway, we cannot turn our backs from where we have come so far. We must continue to engage directly with a range of local actors to identify and achieve mutual objectives, and we expect that as part of this new model of development, our international partners, such as Oxfam and FHI and others represented in this room, will evolve to a more facilitative role aimed at building capacity and strengthening local systems. In this manner, we will contribute to the long-term growth and development of the countries where we are working which is, of course, our

ultimate goal.

I look forward to hearing the comments of my fellow panelists and to participate in the robust discussion that I am sure will follow.

MR. INGRAM: Thank you, Larry. Patrick?

MR. FINE: Thanks. Hi. Good morning, everyone.

Let me start by recognizing the importance of country ownership. If we've learned anything, it's that programs that have local buy-in are more effective than ones that don't. The fact that this issue is front and center on the development agenda and it can fill a room like this on Friday morning is a sign of progress. It reflects global economic and political realities.

Now, there's a legitimate critique that, in many countries, international organizations take up the development space and they crowd out local actors. This critique resonates with just about anybody who has lived and worked in poor countries; I know it certainly resonates with me. For me, the debate isn't one about objectives. It's about what's the proper policy response to the problem.

Now, we've seen funders adopting policies that restrict the participation of international organizations in the name of country ownership and development effectiveness. I think time's going to show that the indiscriminate exclusion of international organizations actually works against both country ownership and the effective development.

For over a decade country governments have pushed for the direct transfer of resources, usually in terms of direct budget support for themselves, but sometimes in terms of tied grants to local organizations through the high-level forums on development effectiveness -- and Silvan can tell us all about that -- and they have an attractive and compelling argument. If the problem is that international organizations

crowd out local actors, then the solution is to exclude or at least restrict international organizations from the market.

I have three problems with this position. First, it's at odds with what the evidence tells us fuels progress and development. There's been tremendous progress in the last half-century in reducing poverty and raising living standards in poor countries. We know that immigration and global connections have been the critical driving force in achieving prosperity. So, my main concern is that restricting international engagement is actually contrary to the currents that drive development.

We've come up with a policy response that's anti-developmental. We should be looking at how to promote global connectivity, not creating barriers that restrict it in the name of country ownership.

In the 1980s and 1990s, a number of countries implemented a policy called protecting infant industries. It was supported by the World Bank and by a lot of donors. It was the same idea but applied in the commercial sector, and that policy was discredited and ultimately abandoned because it failed to create jobs, it failed to expand business, and it didn't benefit consumers. In fact, it primarily benefited the interest of the local elites who owned the protected business.

Now, what I fear is that we're taking the same kind of logic, the same solution, and we're applying it now to addressing human development problems. That's not what's consistent with the learning agenda and learning from past mistakes.

I want to be clear, I'm not referring here exclusively or even primarily to USAID's local solutions policy. USAID has a much more nuanced approach to this subject than many other donors and funders and advocates have.

MR. INGRAM: Nuance is overrated.

MR. FINE: Yeah.

MR. INGRAM: Go on.

MR. FINE: My second point: The policy, as it's often applied, creates a false dichotomy about what constitutes a local organization. Old definitions of local versus nonlocal have less and less meaning in a globally connected world. They don't add to the organization's value proposition and often don't even accord with local law.

So, why is the branch office of an international NGO that's registered under local law, that's led and staffed primarily by local staff, and that operates and is part of the local system not considered local? I think that's an outdated idea.

Does excluding the affiliates of international organizations or requiring them to set-up these ostensibly independent operations add value? Now, I can tell you at FHI 360 we've tried this, and I haven't seen the value add. I have seen that it acts as a barrier to partnering, to capacity building; it impedes the transfer of technology and of resources and the tools and practices that support effective development. But I haven't seen a lot of value add either in our operation or in pure operations that I'm familiar with.

Lest I simply be seen as a defender of the old order, I want to go on record again that the problem is not with empowering local actors. FHI 360 and most of the organizations I know devote themselves to building authentic partnerships based on mutual respect and building capacity and achieving results.

This brings me to my third point: It's not effective development to direct work to local organizations that's beyond their capacity. In our zeal to open space for local actors, there's been a tendency to treat development organizations as if they're interchangeable, and that's simply not true, and it doesn't work. Nor is there any evidence to suggest that that's an effective approach to building capacity, and we're all about evidence-based solutions.

Certainly it's appropriate for donors to set aside funds to support local

organizations and to promote strong civil society. This is a recommendation in the MFAN paper. I completely agree with it. In every country I served in I did that. I advocated for it. I know Larry Garber, when he was in West Bank, was a champion of this sort of thing. It makes development sense.

But the problem -- and this is a core problem that I see -- is that as the development landscape becomes increasingly complex and more organized and more populous, major donors -- big donors and their partnered governments are designing programs that call on highly specialized technical and management skills.

These programs require more than finding skilled people; it's not just getting the right people. They require high performance, institutional environments that can assure quality, that can control risk, that can deal with complexity, that can manage complex, regulatory environments, and that stand behind their results.

Many community-based organizations are simply not well suited to take n these kinds of tasks on their own. This isn't to suggest that there are no developing country organizations with this capacity. BRAC, Tostan from Senegal, FINCON from Pakistan are examples of organizations that have this capacity and compete internationally. It's not about excluding them, but it's about recognizing what we're asking organizations to do.

I want to end with three recommendations. First, let's have policies that promote global connections, not ones that restrict them. Support established capacity-building relationships where they work. Don't put policies in place that impede them. Second, acknowledge that branch offices of international organizations that are locally registered, that are locally staffed, that are locally led are really local organizations, and stop excluding them on the basis of an outdated definition of country ownership. Three, let's base decisions about when to rely on local organizations and when to open up

competition on the requirements of the work to be done, not on an ideological agenda. Thank you.

MR. INGRAM: Now, Paul, I know that one of the purposes of this conversation is to try to clarify some of the conversation and to bring us together.

MR. O'BRIEN: Yes.

MR. INGRAM: But you were shaking your head in agreement with Patrick a little bit too much, because we didn't invite you up here to agree with him.

MR. O'BRIEN: Well, George, let me start then by disagreeing with you or maybe agreeing with you. No, I'm going to agree with George. George thinks that we all need to get beyond thirty percent. I'm with him. I say fifty percent. I'm not kidding. We need to put fifty percent of our funding through local organizations, and we need to get very serious about it really soon. Why? Because that's a shock to the system, and that's going to change the conversation.

There's a real issue in Washington. What's the best way to get stuff done? Do you stay below the radar? Do you stay constructive? Above all, do you stay out of the sights of a fractured Congress and just make incremental progress or do you put a big, hairy benchmark out there and say this is what the future's going to look like, and let's start having a conversation on how to get there. Reasonable people can disagree, but I'm actually serious; the number should be fifty percent.

Now, I'm going to tell you a story about why. I'm a big fan of both these guys, so it's going to be easy for me to disagree with them respectfully. I'm going to tell you a little story about Patrick.

Oxfam had Patrick up to the hill once to speak eloquently about Afghanistan which, of course, he did. But he said a sentence in that conversation -- because one of the reasons I really like Patrick is that he's brutally honest with himself

and with others. He said that one of the challenges that he felt USAID had in Afghanistan was that they were essentially blind. It was really hard to know what was going on, and he was constantly trying to use new and different tools to find out what was actually going on.

Now, I'm going to tell you a story about how Patrick actually did that. It's 2004, long before that Congressional thing. It's 2004, and USAID in Afghanistan had a rule that basically you're not supposed to go outside the office without all the security protocols and stuff. I was the chief advisor at the time to the Minister of Finance, one Ashraf Ghani, who was making USAID's life hell.

He was so frustrated because he was trying to build a compact with the Afghan people, deliver services to them, and help his entire government look like they were delivering services, because his argument is if we can deliver services and look like we're delivering services, then we can start to establish the conditions for peace and the strong political franchise for the Karzai government. USAID wouldn't give him any money; not a dime.

So, Patrick sneaks on his Afghan garb, breaks all the rules, and comes over to my house for lunch. He shouldn't have done this. So, we're sitting there at lunch, and I'm like, so, here's what the -- and by the way, I was paid by USAID -- him -- to advise Dr. Ghani. He says, so, what's going on with Ghani? I say, well, Ghani's kind of pissed because you guys won't give him any money and he's trying to build a franchise. He says if you can just erect a bit more through his government, then maybe he can start to look like he's not completely feckless.

Patrick said I get it. I hear you. But here's the problem: There's no way with the rules that we've got right now we are going to be able to start handing over money to that government -- to the Ministry of Finance even though it has to raise better

revenues, to the Ministry of Health even though it wants to get out better healthcare, to that great program that Ghani's trying to start in rural rehabilitation and development called the National Solidarity Program. Can't do it. Sorry. But I get you. Let's talk about it.

Over the next hour, he and I had a conversation that changed my professional life. He said we can't do it, but we know the end goal. The end goal is to give this guy some power. It's about giving him some control over his own resources so that he can help his government look like they have some power.

How are we going to get to that end goal of control? We talked about how there are actually two steps before control. The first one was you got to actually transfer the capacity in a meaningful way so that they could actually exercise control responsibly. You've got to ask yourself the question, okay, if you're going to control US tax dollars what are the capacities that you need to have, and how do we set some benchmarks and timeline so that by X date you're going to be able to get host country ownership of our money? So, we talked about a capacity agenda.

We said before that, before we can even start thinking about transferring the capacity, the one thing we can give Ghani tomorrow is better information about what we're doing in his country so he can go out and sell our programs.

It was in that conversation with Patrick that something that matters to me an awful lot in my life is the belief that ownership is a journey from information to capacity and ultimately to power, control. What Secretary Clinton defined as the real meaning of ownership; the ability to lead, to implement, and ultimately to pay for your own development. Ownership isn't a technical issue; it's a political issue and it's about power -- who's in charge.

We knew we couldn't put Dr. Ghani in charge immediately, but he and I

conspired basically to have him go -- he didn't need me to do it -- but to go have a conversation with Ghani. Patrick starts having this conversation with Ghani. They end up with this plan to create host country contracting for USAID to actually give money to the Afghan government so that they can then deliver health and the National Solidarity Program, and build the Ministry of Finance.

In the scheme of things what happens -- it's politics -- Ghani gets kicked out of government, Patrick moves on to another assignment, and the next mission director comes in and says, Paul, what the hell is this? You have an agreement here that looks like USAID is on a journey to give control to the government of Afghanistan with host country contracting, and they're not even close to having the capacity to be able to do this. We're going to have to slow this whole thing down and make sure that we move back to a more incremental capacity-building argument.

I wasn't able to say but look at the competence and power of Dr. Ghani who's articulating this whole thing because he'd gone. Honestly, even though the successor was a good man and a good Minister of Finance, he didn't have that ability to strike the fear of God into the international community or to instill the confidence that he should be leading the agenda because ultimately it's about power. So, I wasn't able to convince that mission director to go see -- I actually did convince him to go see the Minister of Finance, but I wasn't able to convince them to get back to this idea of transferring ownership that he started.

Here's the thing -- something got started in 2004 that was fundamentally different than USAID was doing anywhere else in the world. As a consequence, USAID got onto the ownership bandwagon it's not gotten onto in any other context. Guess how much money USAID puts through Afghan institutions? Never less than fifty percent. That's how much it spends -- fifty percent.

How much is that? Just $2 billion in the last while, $300 million a year directly to the government -- like, no intervening, and another $300 million a year which over many years is more than $1 billion, another billion through what's called the Afghan Reconstruction Trust Fund. That money goes to the Ministry of Health to do health programs. It goes to the Ministry of Rural Rehabilitation and Development to do the National Solidarity Program.

What's happened as a consequence? Great piece by Justin Sandifer says that money contributed to the Ministry of Health, raising life expectancy in Afghanistan from 42 to 62 in 10 years. Life expectancy up by 20 years in 10 years. Who did it? Not USAID. It was USAID's money, but it was the Ministry of Health.

Now, who actually implemented some of that? Well, the Ministry of Health could decide to go to whomever they wanted to go to, and some of the time they said my own local NGOs don't have that capacity that Patrick's talking about, so sometimes they went to international NGOs and they went to international contractors and said we'll decide who gets the money because we've got the power now, and yes, sometimes we are going to invest through international organizations. But it's our power, and it's our choice. That makes all the difference.

What you've had with the Ministry of Health is those kinds of investments; ninety-five percent of the country now getting basic healthcare. What you've had with the Ministry of Rural Rehabilitation and Development is $2.7 billion going to 35,000 villages in block grants where they're able to build infrastructure and other things.

But here's the really important thing: Who delivered that? Well, Ashraf Ghani was associated with that. You've just seen a big election earlier this month in Afghanistan. You know what the real victory was in that election for the United States? It

was that in Afghanistan, a country that had been led by warlords, people who offered the power of the gun, the election came down to two candidates -- they got rid of the warlords, and it came down to two candidates, both of whom were technocrats, both of whom said I've been delivering you services, healthcare, education, responsible foreign affairs with the international community, so vote for me because I'm going to give Afghanistan a future of development and inclusion in the international community.

The real victory is not whether Ghani wins or Abdullah Abdullah, but that you've got technocrats out there selling a development agenda as the best way forward, and the United States was fundamental to that agenda. It was fundamental about understanding that they needed to have the power.

My problem with the comments of these two colleagues who I do so deeply respect is that they're not talking about power. When Secretary Clinton said we want to lead, we want to see local institutions lead and implement, she was talking about power.

My question for Larry is when you define -- read the local systems paper -- when you define the local actor as anyone acting in a local context, then you're taking sides with Patrick. I'm asking Larry this question by the way. Patrick says my officer down in Nigeria, this thing he talks about, is just as much a local actor in the 21st century as a local institution. By the definition in the local systems paper that USAID comes out with, he's right. That's another local actor. Yeah. If you're asking how do local systems work, whose relevant, how do you understand what's really going on, of course you've got to understand what the international actors are doing in that context because they've got power and they've got money and they're changing everything. So, you got to understand it from an analytic perspective. But if you mean power as ownership, to call the FHI officer a local actor profoundly misunderstands the issue of power because that

FHI officer works for Washington.

I agree with Patrick that there should be open competition over development and that you will get the best results. But until I see development contractors and NGOs openly competing in the global arena for the real money, then I don't believe that this is the kind of competition that's actually healthy for development.

There's only $130 billion in aid, and we're all talking about how comparatively small that is, right? The US has about 30-something billion of it, and the contractors have tied up about 9 billion of it, the NGOS another 5 or 6 billion of it, and we've got up to seventeen percent for the local organizations.

Here's the big money: Developing country governments have $5.9 trillion in domestic revenues to spend on development or security; whatever they want. Now, some of those are corrupt. Some of them don't care about development. But a few of them want to spend their domestic revenues on building a political franchise that delivers poverty reduction for their people; that delivers development for their people.

That's big money. You're talking trillions of dollars. Even if one of those trillion was available, I want to see the NGOs and the contractors competing for that money.

Here's where I agree with both of these guys: The world isn't going to be a better place when everyone goes home. We need internationals to go and to serve, to be part of economies, to be part of systems, to be part of serving, and to provide the best services and the best context to build an international order that is genuinely peaceful. But we've got to be real with ourselves about the power.

The contractors were real about the power when they hired the Podesta Group to say you go to Congress and you get Congressman Isa to write to USAID and say if one of those dollars that is going to local institutions get stolen we're going to be all

over your ass. That's what Congressman Isa did. That's a conversation about power. That's the conversation we ought to be having in this room and as we go forward in dealing with ownership.

We all share the same objectives in the end, but we're not going to get to the political dimensions of development until we have a more honest conversation that money equals power, and power is essential in addressing the challenges we face today. (Applause) Okay.

MR. INGRAM: Thank you, Paul. You've lived up to your billing. Well done. Larry, Paul's brought you into this conversation they're having. Let me bring it at a higher level, and that is taking the example that Paul has given us on Afghanistan with his rather unique example.

When I worked at AID in the E&E Bureau we had not withstanding authority. We had no idea what were doing in the nineties in the former Soviet Union. We halfway admitted it, and we would quickly write up a contract or a grant to an organization and send them out to the field to figure out how to do it.

With all the presidential initiative, with all of the systems and the processes, what you're trying to do with local systems is you're working in a system that ties both hands behind your back and constrains you. There's been a loss of mission authority in recent years. We're not going to really get anything done on local ownership until we create more flexibility and more authority for our missions and empower them to engage the local actors the way Patrick and Paul did.

MR. GARBER: At one level, I agree one hundred percent that, as a former mission director, you know, welcomed having as much authority as I could get my hands on, but I also operated in a very political environment --

MR. INGRAM: And let me say to all three, keep your comments to three

minutes so we can get to the audience.

MR. GARBER: Okay. But also operated in a very political environment and knew that there were constraints. Again, as much as I can yell and scream about presidential initiatives and earmarks as taking away some of the authority from mission directors and hindering their ability to engage in a full dialogue, that's the reality that we operate in when we're operating in the field. We have to work with that reality, and then try as best we can.

I think Paul gave a good example from Afghanistan of within whatever the constraints were working with the local authorities to understand what their priorities are and how we can best support them. Again, I fully acknowledge that many of the efforts that whether it's Oxfam or FHI make on the ground are using local solutions. There's no doubt about it. You're engaging with local actors and partnerships. You're using local staff. But the big difference is it does get to this issue of ownership of ultimately both who makes the decision and what is going to be left at the end of the day.

If we pulled out, what is left? As AID pulls out does FHI automatically pull out also? What we want to do is ensure that there are institutions that are going to stay beyond the time that we're there; that are going to build themselves up. We fully acknowledge that many institutions don't have that capability today, which is why we constantly emphasize the need to strengthen and use. It's not just funnel money to organizations that are going to prove incapable of using them or we're going to get the type of bad stories that Paul alludes to. We need to work with these groups.

How do we work with these groups? Many times by facilitating the types of partnerships that Patrick and Paul and their organizations represent. That's what we should be doing. But we need to keep our eye on the end game, and the end game is what is going to be left at the end of the day whether it's in Afghanistan or it's in any of

the other countries that we work.

The government there cannot continue to count on $2 billion in US aid. If the health system, you're telling me, is dependent on that, well, that's not going to work either. There needs to be capacity building that relates to how they're going to mobilize the resources; how they're going to have the capacity to pay people who have developed skills to be achieving the outcomes that Paul described in the future. That's where, I think, the shift in orientation needs to be.

For the time being, we are going to be working with and partnering through international organizations, but again what we want to make sure is that we're also strengthening local institutions. The organizations that Patrick mentioned -- the BRACs and the others -- they didn't just emerge. They also had a process of evolving and, in some cases, taking advantage of, sort of, local capacity building and in some cases relying on external efforts to get to the point where they can compete internationally.

Yes, we should be providing a little bit of affirmative action in this regard just as we do with our small businesses and minority-owned organizations here. We have some set asides that we do, and again the idea is ultimately to strengthen competition in the long run, not to prevent good development from happening.

MR. INGRAM: Patrick, is Paul's recollection correct?

MR. FINE: I will go on record in saying that I did increase the contribution got the Afghan Trust Fund by $120 million the first time the US put in real money and came in with a major contribution to the Solidarity Program at (inaudible) urging against the advice and direction of my colleagues.

MR. GARBER: The Afghan people thank you.

MR. FINE: Let me make four points. One is in terms of your point,

Larry, about what's left at the end of the day, I look at it really from an implementation point-of-view -- from a very, kind of, practitioner point-of-view, and my comments are really inspired by that perspective. When we talk about what's left at the end of the day from an institutional standpoint, that at the end of the day you want local organizations is fundamentally outdated.

We live in a global society. We live in an interconnected world. What's going to be left at the end of the day that is strong and vibrant are going to be organizations that are connected globally and not ones that are somehow isolated or (inaudible) or insulated. I think that partly is to update our definitions about what's local, what's not in a globalized world.

Now, Paul, your fifty percent target, I completely disagree with it. It's because from an implementation point-of-view it may be seventy-five percent in some countries, right? In South Africa, you've got very robust local systems. That would be an example, in my mind and has been this way for 15 years, where you don't really need to have a separate implementation mechanism. You could do direct budget support there. You could agree with the government on what the objectives are, what the procedures -- how the management protocols are going to be.

It might be seventy-five percent or one hundred percent in a country like that, and you move to, kind of, post-assistance development kinds of partnerships. But in other countries it's going to be five percent or ten percent. To set-up this goal of fifty percent and just, like, pluck it out of the air, I don't think that it's actionable. I don't think it's really helpful from a policy-planning point-of-view. I think that it's too situational.

It's aspirational for sure, but I think at the ground level it creates a dysfunction. We've seen it right now even with the thirty-five percent.

MR. GARBER: We're up to thirty?

MR. FINE: The thirty percent target where you've got countries -- they've been ordered thirty percent, and then they're doing things that they themselves say this makes no sense to do, but we don't have any choice because we've been ordered to do it.

Second --

MR. INGRAM: Actually, Patrick, now we have a two finger here.

MR. FINE: Okay.

MR. GARBER: Let me just say, Patrick, as my colleagues know, I don't like to use the thirty percent or the other terms because I really do agree and I believe that we're moving from having what I call an arbitrary target. I think it served the purpose that Paul served which is it woke us up. It really mobilized us to begin thinking about this, but now we want our missions to be thinking in the context of what is good development and what makes sense in their particular context.

MR. INGRAM: Okay, enough because I want to move to the other (inaudible) --

MR. FINE: All right. I want to get to the political commonly point. Your main point is about power -- who's controlling the resources. I agree with that. I don't have a strong disagreement with that. I kind of feel like I've spent my whole life trying to promote empowering our partners and using resources in a way that really achieves authentic partnerships. Authentic partnerships are conversations amongst people who are working together on more or less a relationship of equality.

But I think in terms of applying that notion now to the practicalities of -- we've got resources, and we want to apply them and manage competitive procurement processes in order to purchase goods and services to accomplish certain outcomes, certain results, that that political process can work against it or for it. I see the high-level

development forums as a political process that has been used in a way to protect market. From a commercial point-of-view it would be to create non-tariff barriers.

MR. INGRAM: Patrick, finish your point. I want to move to the audience.

MR. FINE: All right, okay.

MR. INGRAM: You had a fourth point?

MR. FINE: I have a fourth point, and it is that I agree with your notion of comprehensive markets. Certainly for our organization and I think for most of our peers, it's not about simply trying to source funds from international donors. They are a source of funds, and there are business reasons with respect to the dependability of being paid, of the integrity of the processes around the business processes of working with an international donor, but we source funds from over 200 sources including developing country governments, including local foundations, including local corporations and international corporations.

I definitely believe that as we look forward into the future that successful international organizations are going to be ones that can operate cost effectively in that big market. They're not going to limit themselves solely to a particular international donor or set of international donors because that's not how the markets developing.

MR. O'BRIEN: That's great.

MR. FINE: So, Paul, you're --

MR. O'BRIEN: Couple of quick things --

MR. INGRAM: We're going to move to the audience in two minutes, so be prepared.

MR. O'BRIEN: Two minutes. I really like Patrick's last comment, but I think money and numbers force decisions. They force creativity; they force new ideas. When a big NGO that takes US government funding or a development contracting firm

takes fifty percent of its budget from non-US government sources, I'm going to really sit up and listen. I'm waiting for the leader of one of those institutions to publicly announce that's our marker. We want to compete in the global marketplace.

I don't want USA to move beyond the thirty percent and go back to being nice about it and not creating tensions because it's precisely the tensions in how do we get there that creates the creativity, the pushes for the new ideas. It was important that we all struggled with how to get there.

Afghanistan is still one of the most corrupt environments in the world with the least institutional capacity in the world, and yet we spend fifty percent of our money through that government. You could do it in any government in the world if you really wanted to, and it's not just governments, it's also private sectors and civil society if you really wanted to.

What would happen if you put that out as a benchmark, fifty percent, is that you'd then start to have to have new models for making sure that money didn't get lost. There would be new forms of service provision, but you put them in charge.

Real power is about never having to say because I said so. We don't give that power to local institutions. Larry's -- I love that framework, but it says nothing about power. It starts out with the statement that USAID's new mission, which is incredibly exciting, is going to be about ending extreme poverty and building resilient democratic institutions, and then it never mentions the word democracy again. It never talks about how politics and the social compact get built. It's about local systems, but it's sanitized of a political analysis, and we have got to be much more forthright, much more honest, and frankly so do NGOs.

This debate is killing Oxfam; that's the last thing I'll say. We ourselves are asking who are we -- as a set of northern affiliates, trying to determine southern

political priorities, how are we configured and organized? We're trying desperately to transfer our money and power to the south so that Oxfam India and Oxfam Brazil are dictating the agenda. It's not easy. It's causing us a lot of trauma.

Just to say what I'm really calling for is an honest and robust discussion about integrating the power and politics into this ownership agenda.

MR. INGRAM: Okay. We have a microphone. Please introduce yourself and your affiliation, ask a question, I'm even going to invite you to express an opinion and disagree with something, but do it fairly quickly.

MS. FANNING: Hi. My name is Liz Fanning. I'm the founder of CorpsAfrica.

I am really glad you started this conversation, Mr. Ingham, with the definition of local ownership because I thought we were going to talk about the beneficiaries having ownership of the projects. I've listened carefully to everybody, and I haven't heard anyone talk about the people -- the ultimate beneficiaries, the people -- in the villages having control over the projects that the NGOs do.

In our model we work with all sorts of NGOS: International, regional, local, the smallest level, and I agree with you, Patrick, it doesn't matter. I don't care if you're from CARE or UNICEF or the local NGO in a small village. We want to work with the people doing the best work, and there is no definition of that.

But I just wanted to say isn't the people on the ground, isn't that where the power should be and isn't that the endgame?

MR. INGRAM: It gives me an opportunity to give an advertisement for Rhee To Sharman's new book, *To Teach A Woman*, in which she reports some of those very stories.

MR. GARBER: Both in response to your comment and Paul's comment,

I'm disappointed, Paul, in the way you read the framework because what we're talking about, working systematically and the 10 principles, really are designed to get at getting people to understand and engage with the beneficiaries with understanding what the politics are in the relevant context. It's not divorced of democracy or political analysis. We don't use the terms.

I have another work stream where I focus on that issue, but it's embedded in this framework and in those 10 principles. If you go down those 10 principles, it will address how we're trying to get at what are the different beneficiaries and other actors think about and how do we give them voice and how do we take into account some of their concerns as we're trying to achieve our goals.

MR. O'BRIEN: Just one quick comment. I really love your question, and I'm held accountable to it. I should have talked about it more. I think there's great new mechanisms and development that are handing real power and I -- real power form of money directly to people to make their own choices. USAID's doing some of that. I think it's really important stuff. They're actually handing money to people, and USAID is taking some great steps on that.

But if you believe, as I do, that money is one of the best proxies for power, most development money still goes through institutions. It's really important that we understand the power that those institutions have to actually then transfer power to beneficiaries -- to put them in charge. When citizens, as they do in the NSP and Afghanistan, actually decide what projects will happen and what projects won't, then I'm starting to believe that real power's getting transferred.

MS. FANNING: That sounds great, but our model is to go in without a plan. We're like Peace Corps volunteers for Africans. That's what we are; that's what CorpsAfrica is. They don't go in with a job to do. They go in, they facilitate meetings and

ask people what they want, and then go find an NGO that does that and bring them in to design the project.

We've applied to USAID and Ford and all these organizations for funding, and they tell me they don't do that. They want to know what we're going to do, and I can't get them to be open to the opportunity of listening to the people. They don't do that, and I find that incredible.

MR. FINE: Great point. Thank you. I think that it partly depends on what level you're working at. At the community level really getting the buy-in and the participation and appropriation of community members and carrying out a particular activity is fundamental. I'm sure nobody disagrees with that.

But at least where I'm directing my remarks is that more national or regional-level policies and the major flows of national budgets and how -- and ultimately, managing those kinds of resources, those are political decisions. They're political decisions in this country. They're equally political decision in the partner countries that we work in.

That was my big critique of the MFAN paper because it was calling for consultation and more beneficiary engagement. It seemed to not recognize the fundamentally political nature -- even at a community level -- of how decisions get made when you're allocating scarce resources. If it's about allocating resources it is about a political process.

MR. INGRAM: Over there.

MS. HIDA: Hi. My name is Angelica Hida. I just graduated from SAIS across the street. We're talking about all these big terms: Ownership, power, capacity-building, partnership, and inclusion. I want to bring the conversation closer to home by asking where are the women on this panel to discuss these issues?

I actually really like the number that was mentioned a couple of times -- fifty percent. I feel like if we're talking about things like these we should have women here and hear their voices too. Thank you.

MR. INGRAM: I guess I better address that question.

MR. FINE: Oh, George. It's all George's fault.

MR. INGRAM: It's all my fault, and we had that conversation, and there were a couple of women that we considered and I invited, and they, to their credit, said that we like the configuration you've got here. You've got some strong views, and so it's not something that wasn't considered. Okay, two hands in the back. Let's hear from both of them.

MS. DIENER: Hi. I'm Kari Diener from Mercy Corps. Thanks very much for a really interesting conversation. I was really struck by this issue of authentic partnerships, and that's something that Mercy Corps also thinks a lot about as an implementing organization. I think we see that too when we see grants that also take a longer-term approach in a country and go beyond a project-based approach.

My question is how do we get beyond that project-based approach and really build that type of sustainability? Also, how do we start to build the networks that move beyond even a national country system and into a regional or an international system?

I think for us we've really found great traction when we can start to build that information exchange. We've seen great land reform issues taken up in South America when we see dialogue between people in different countries from the national level all the way down to the grassroots. What is it going to take to get that type of reconfiguration of the way we do business? How do we build that type of learning cycle into our programming? Thank you.

MR. AHMED: Hi, everybody. Thank you so much for allowing us this opportunity. My name is Mohammed Ahmed, and I just graduated from University of Rochester, Upstate New York. I come from the region of Darfur, Sudan, and a lot of my question ties to also the last question that has just been asked.

A lot of us learned a lot of the demographics and things that went wrong and right when it comes to involvement programs. A lot of us do know the intended and unintended consequences of things that can go wrong or have been doing wrong for a while. We understand not only from the dynamics of the actual projects that have been carried out, but also from the geopolitical environment that affects all this stuff. How do we integrate and harness all of these minds of people who want to do all this great stuff into an actual reality that we can coordinate and all of us put in our inputs and guide people into what we think is best?

My second question is it ties to the political constraints that we do face, when I write tonight about my blog in Sudan or geopolitical environment or international security or peacekeeping operations in all parts of Africa, I just get a bunch of threats of like we'll kill you, and you're a traitor. Even if we omit ourselves from contentions and dealing with our own governments, is there any other framework in which we can also contribute with what we think is best in a voluntary level or otherwise?

MR. FINE: Can I respond to the comment from Mercy Corps?

MR. INGRAM: Authentic partnership?

MR. FINE: Authentic partnerships, because it is something that we really grapple with, and we see it as really important to go beyond a project-based mentality. What we're trying to do -- and we're investing a lot of our own resources to do it -- is to build country offices that provide a platform for delivering high-quality, cost-effective services that are not -- they're a platform for project delivery and other kinds of activity

delivery, but they're not controlled by one project. They're bigger than a project, and they outlast projects so that the represent a more sustainable presence and relationship and identity in the country.

We do that at the regional level and we do it at the country level. At the regional level we can do some of that sharing of experiences. From a business point-of-view, that means things like we transfer people from one country to another country, and they're long-term employees of the organization, and we get cross-fertilization in a region and amongst regions. IT provides something more than just a project approach to working in a country.

It's difficult to do and we struggle with it, but it is one way of addressing that issue that you've raised. It also gets at your point, Larry, about what's left, what are you leaving behind. We think we're leaving behind long-term commitments, long-term capacity, long-term institutional presence in countries that's not directly linked to any particular donor. It's linked to addressing the problems of human development and working really as a member of that community which is why it frustrates me so much when those operations are not regarded as local.

Paul, you made the comment about yeah, well the FHI person in Nigeria, they're not really Nigerian. They're answering to Washington. I wish Ada Taboculy was here right now, because I can tell you he would beg to differ with you. In fact, here's another way of looking at it: We answer to them, right?

I don't want to be naïve about it. We're running a complex, multinational business. It's a major enterprise with complex, regulatory personnel management and other kinds of considerations: Financial management, compliance -- but the fact is, just as much as they're answerable to us around how we're managing our systems and planning our business and strategizing, we're answerable to them. I'm answering those

guys all the time about how come this isn't happening; when are we going to do this; why aren't we addressing this? We need to put our own resources into doing this. That is a very real example of being locally driven.

MR. GARBER: I would just say that the difference and partly, Kari, to answer your question, is what's your starting point? If your starting point is we want to build sustainable institutions and have sustainable outcomes that will lead you in a certain path. If your starting point is how do we engage in the system, and whether it's Mercy Corps or Oxfam or whomever, and build from there you come to a different set of answers.

What I want to urge folks to do is to start from that issue, and I want our missions to do that. I want our partners to do that. We need to be thinking about what is the sustainable outcome, and then how do we get there? What is the best ways to get there? Who are the best partners? What are the types of activities we can do? But too often we have started from the other way and hope that at the end of the day that we would achieve sustainability.

On the regional issue --

MR. INGRAM: Before you go to that, go ahead, Paul. You want to --

MR. FINE: I agree with what Larry just said.

MR. O'BRIEN: Yeah, I do too actually. I want to say, because I don't think I was artful in my first characterization of your system's framework. I like the framework. I like every single sentence in there. What I don't like is that it is sold as a sufficient answer to the question where ought the power and ownership be in development. Everybody should read it. It's a super piece of work, and everybody should try it. I'm so excited that USAID is going to try and implement that.

But when it's accompanied by a very specific commitment to transfer

resources and power to local institutions, that is explicit and courageous, then I'm really excited. What I hear at USAID is a backing away from the thing that created all the trouble, which was and we're going to give a very specific proportion of our funding to local institutions, and we're going to deal with the consequences. That's what I'm fearful of.

Just to be a bit more graceful, it's a great piece of work. Because it's very easy to say this sitting on the stage when you're not living the lives that we're all trying to be desperately relevant to, and to the Sudanese colleague who -- well, a person I'd like to call a colleague one day -- who raised the point it brought home to me that it's very easy to talk about politics and power and the development as about holding those who are unaccountable accountable.

But if you're a Sudanese person writing blogs about what ought to go on in your country, and we often ask our Oxfam Sudanese colleagues to do this, you're taking a level of risk that we have to be more, perhaps, appreciative of and less glib about than sometimes folks in suits like me can be sitting in Washington. Asking the development community to understand that development is a political conversation about power takes it to a whole new level of risk.

For USAID, their ideals with the democracy and governance stuff, where we are literally seeing USAID getting kicked out of countries for trying to embrace the political dimensions of the work, it's no easy task. When we ask for this type of stuff to empower local actors as political actors we recognize that that's a huge ask to make of you.

MR. GARBER: Just if I could on two points. First of all, as Paul's alluding and as Patrick mentioned, and I want to note Jim Michael here because he's, in some ways, the godfather of this work that we're trying to do at USAID which is to

introduce notions of how we think an act will work more politically. We need to do that. We need to understand the political economy of the countries where we're operating, but we also need to appreciate that there are a whole group of local politics that affect what we do.

If we're ignorant to those or believe that they don't matter, we're not going to be effective. We need to be much more direct and deliberative in thinking and working politically. Again, there are lots of reasons why there's resistance to it within AID, within the development community as a whole, but unless we take on this challenge, I feel we're not going to achieve our mission of eradicating extreme poverty or building resilient democratic states. For me, that's absolutely critical.

Just quickly on Kari's point about regional and the importance of learning, absolutely agree. We need to find mechanisms to do so. But my other reaction is that two of my overseas visits have been to Nigeria and Pakistan. When I go to those countries, those have -- they're just so huge in and of themselves that learning between the different states or different provinces is a challenge that they face.

I fear sometimes we're so enamored with the importance of creating this global infrastructure that we ignore or we overlook the needs that are in particular countries; to make sure that they don't fall apart, become failed states, and the like because they're dealing with these issues district by district, and these districts aren't small. These are, in some cases, bigger than a lot of the countries we deal in.

We need to just keep in mind the perspective that the context matters including the relative size of the different countries and regions we're working.

MR. INGRAM: Great. Yeah, okay.

MR. AGO: Thanks. Michael Ago from Devex.

Paul, I'm struck by the contrast that I see between your emphasis on

power and the number that you mentioned at the beginning -- the trillions of dollars of

potential money in domestic revenue in the developing world.

Given that that number dwarfs USAID's budget, is this really a

conversation about who's going to own development or is it a conversation about how

USAID stays relevant within that process?

MR. GARBER: And the godfather has a point to make.

MR. MICHAEL: Yes, Jim Michael. Thank you, Larry. I wanted to

broaden this just a little bit.

We've talked about capacity strengthening, and we've talked about

whose development is it. The institutions in the developing countries are ultimately going

to determine their development path. It is not our development. We don't develop them.

They do the development, and we can support that development.

We want to see our support handled efficiently through effective

institutions in that country, but we don't want effective institutions to protect our money or

our projects. We want effective institutions because they will support development, but

they have to be their institutions.

There's a lot of research that suggests how difficult it is for institutions to

become effective and the limits of what international support can do. We have Matt

Andrew's book, I guess, is one of the more recent on this, but there's a lot of them; the

evaluation of the Paris Stickler issue all pointed out how difficult this is.

I wonder what -- and Larry, I think, could speak to this -- what are the

things that USAID is doing? For example, apart from the who gets the money to

implement the project, but the assessment that is done. To what extent is that an

outsider assessing somebody else's institution? To what extent are we trying to help

countries develop and work internationally with partners so that assessments are done as

self-assessment?

There are incentives for institutions to want to become performers. Not because they got an aid project, but because they want to be more effective in doing their job and providing services to their people. What are the incentives that you're providing to the internationals who are going to be involved as intermediaries so that they will support that kind of local institution strengthening as a condition of their being able to carry out this work on behalf of our government to support the development in another country?

It's not just who gets what. How are the policies more broadly being developed and applied that will get you to that ultimate result that you have all spoken about?

MR. INGRAM: Larry, why don't you start, and then Paul and Patrick.

MR. GARBER: I don't think you can ignore the incentives, whatever they may be. Whether it's the international development assistance, whether it's the good housekeeping seal from the IMF, or in today's world, as was suggested, it's the good housekeeping seal from the investment community, whether it's local or foreign, that shows by where it's going to put its money what it thinks of the institutions.

Those incentives exist. I think our role needs to be this more facilitative role of both engaging in a dialogue with a host country, whether it's the government in many of these cases, but also other actors about what they need to do to achieve what will then attract the foreign investment or will attract even some of the donor support, and what we can then do to help them.

But it needs to be a dialogue. It needs to be understanding where they're coming from. It needs to understand the politics that are affecting them, because sometimes, to be blunt, we find our favorite minister and guess what? He's not there a

year from now, and he hasn't put in place the structures that are needed to keep this going. Or we have a good minister, but there are lots of people blocking his efforts to transform the situation.

We need this political awareness, but at the same time we need to understand what the incentives are, the drive development, and figure out how we can facilitate through our rather relatively small resources to use them in a way that can facilitate some of the institutional development that is critical for development.

MR. O'BRIEN: On the Devex question and a little bit to Jim's question, the argument I've been trying to make today is that ridiculously ambitious targets can be game changers if they incentivize the right kinds of conversations and then decisions. The big one that's coming is not this thirty or fifty percent. We are, in September, are going to see the most ludicrously ambitious set of development goals articulated by all of these governments, right?

They are going to sit down, and they are going to announce that in 15 years no poverty. We're going to end every single preventable child death everywhere. Every single child is going to get free primary and secondary education. There's going to be no slums. These are the new sustainable development goals. That's the level of ambition that these governments are going to -- and if you sat there with your $130 billion and said how are we going to do all that, the conversation would be over pretty quickly.

They're not talking about aid anymore. They're saying it's craziness that we have trillions of dollars sloshing around in a global financial system -- sometimes in the extractive industry sector, sometimes big corporate deals, sometimes tax systems -- all that money is out there. If we could harness it effectively, we could actually start talking about those kinds of goals.

There's no sensible reason to have people living on less than a dollar or

25 a day, or a three-year-old child dying from something that's entirely preventable. It's about getting our systems right.

Twenty years from now we're going to know who everyone is, where they live, how much money they have, what they spend it on, and that's just data and technology that's going to do that for us. We have got to get our heads around what's possible. The way to do that in this ownership conversation is set-up the right incentives so that we're forced to learn.

I'll tell you an incentive that we have that forced us to learn pretty darn quick -- Oxfam won't take any money from the US government, partly so that I could sit on the stage and say mean things to Larry. But it's also partly so that we will think harder and smarter about how to be relevant to a bigger discussion.

How can we, at the same time, challenge food companies to stop leaving small holder women farmers behind, and at the same time take money from a global food company to innovate something on the ground, or from an insurance company to setting place a reinsurance product. We are forced to innovate in new partnerships where the real money is because some crazy person a while ago said you can't have any US government funding.

What I'm saying to the contractors is you'd have a lot of fun and you'd come up with some great ideas if you got off the dependence of the US development dollar. That's what I want. I think the United States is so incredible at innovation under stress, so let's create some constructive stress and see what happens.

MR. FINE: Let me assure you that, at least at FHI 360, we deal with our share of stress. I think that the reality is if we look into the future the landscape is radically changing. It's changing because of globalization, because of integration, because of connectivity. Some of those changes are really positive, and some of them

are quite negative.

You've got urbanization, which creates a whole new set of human development challenges, and we're now an urbanized world, not a rural -- when I started working in development it was all about rural development. Now it really is all about urban development, and then more and more that's where it's going to be. We're a much more populous world, so that creates a whole different scale of changes to address. It's a more sophisticated world politically because of global integration.

I cede to some extent you've got a separation happening with some countries mired in conflict where I think the more traditional models of development assistance are -- we're going to be stuck with them. That doesn't mean that there won't be opportunities to innovate along some of the lines that you suggest in that we were doing in Afghanistan. But that in general, you've got countries like Central African Republic that create their own realities, or those realities are going to create the art of what's possible.

But then you've got a larger number of countries of humanity, a portion of humanity which is becoming more prosperous, where living standards are rising. That's giving rise from, again, the point-of-view of an organization that works on human development challenges. It's creating a market that's not going to be a market of donors.

It's going to be a comprehensive market where it's our ability to cost-effectively deliver services and partner with local governments. Not only national governments -- regional governments, city governments. We do that in the US. We have a big US practice where we work with state governments, we work with education districts, and with a variety of institutions around the US.

I see that that really is where the organizations that work on human development challenges are going to be internationally because that's how the market's

going to shape it.

MR. GARBER: Patrick, why wouldn't you want that to be driven by the host country government just like you're working with the state government here? That the host country government in the example that Paul is saying we want FHI to come in. We want Mercy Corps to come in.

MR. FINE: We do. We work with the government of Bangladesh. We work with --

MR. GARBER: But I'm saying that's the thrust of where we're trying to go with the local systems. It's not going to be one hundred tomorrow, but we want them to be making those decisions where they have the capacity, where they can do so. If they can do that, they may very well find that you're providing the absolute best services, you have a track record, and will call on you to help them with what they need.

MR. FINE: We've seen that that's what happens. If you look at the MCC model, where MCC essentially works with a partnered government to set-up an authority that is then going to control the funds, manage the funds. Those authorities, they have to achieve results. They're focused on results, so they hire through very rigorous processes the organizations that they think are going to best deliver those results, and those are a range of organizations.

MR. INGRAM: Great mid-conversation to end this on because there's lots of conversation to continue to have.

I should have pointed out at the beginning that this forum is brought to you not just by Brookings, but the other cohost, FHI 360 and the Modernizing Foreign Assistance Network.

I will say that we've gone just over an hour and a half. The panel should note that for the first hour and 15 minutes nobody got up and left. In the following 15

minutes only three or four people did. We had more movement in and out yesterday during the soccer game. I only saw one yawn during the whole morning. I think that's indicative of what a fabulous job you all did, and please help me in thanking the panel. (Applause)

If anybody has any thoughts on how to continue this conversation, please share them with any of us on the panel.

* * * * *

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.

Carleton J. Anderson, III

)Signature and Seal on File)

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2016