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REFLECTIONS ON A HALF-DECADE OF U.S. DEVELOPMENT ASSISTANCE: A CONVERSATION WITH ADMINISTRATOR RAJIV SHAH

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Moderator:

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

Featured Speaker:

RAJIV SHAH
Administrator
U.S. Agency for International Development

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P R O C E E D I N G S

MR. KHARAS: My name is Homi Kharas. I'm a senior fellow here at the Global Economy and Development Program at Brookings. And it is my great pleasure, as it has been before, to have Raj Shah back on stage here at Brookings.

Raj, as you I hope know, is the administrator of USAID, 10,000 people, professionals under him; AD offices; $22 billion. This is an important guy. He's been a medical doctor. He was at the Gates Foundation as director for their agricultural development, chief scientist in the Department of Agriculture, and then USAID administrator for five years.

So welcome to Brookings, Raj, and thanks so much for coming back.

MR. SHAH: Thank you.

MR. KHARAS: Within the next couple of weeks, I think Raj will go, so we thought this would be a great time to have frank reflections looking back on his accomplishments over the last five years.

So, Raj, let's start.

MR. SHAH: Thank you, Homi, I think. (Laughter)

MR. KHARAS: Yes. So let me first start with asking a little bit about you. So, you know, as I've just said, I mean, it sounds as if you've bounced around a little bit during your career. You know, first you want to be a doctor, then you want to be a scientist, then you end up as a manager administrator. So what drives you? What's your passion? What did you want to do when you came to USAID?

MR. SHAH: Well, thank you, Homi, and it's great to be here and it's great to be with you. I have so much respect for the work you've done for such a long time and that you're engaged in right now around the world. And thank you to the wonderful Brookings team for having me.

That's a tough one to start with. I was kind of confused as a kid. I actually grew up in Detroit and always wanted to design cars at Ford Motor Company. My dad worked at Ford for a long time.

MR. KHARAS: You were a fan of the Edsel, I take it.

MR. SHAH: I'm not a fan of the Edsel, but I'm a huge fan of the Mustang. (Laughter) And actually, my proudest moment at USAID was when Alan Mulally, the CEO of Ford Motor Company, came to USAID, spoke to 1,100 of our staff, spent a half a day with our senior leadership team, and just helped us do a better job of managing a large decentralized institution to a higher standard, and it was really a lot of fun. We all learned a ton and he sent my dad a poster of the Mustang that he had signed, so that was a highlight.

But I've just always wanted to be --

MR. KHARAS: Did he give you a Mustang?

MR. SHAH: He didn't give me a Mustang. No, I think that might be outside the gift rule. (Laughter) But Alan, if you're listening, two weeks from now those rules no longer apply. (Laughter)

I went to medical school because I loved the concept of, as naïve as this is, of just saving people's lives and the feeling of self worth that comes with being able to help people when they're at their most vulnerable. And so I migrated from that task and activity, which is probably to the benefit of many patients over the course of time, but at Gates, at the Department of Agriculture, and certainly at the USAID I've always taken pride in getting to work with teams of people who walk in every day deeply committed to a mission of fighting for vulnerable people and serving others. And it's amazing to me.

Actually, Alan, when he came to USAID, had a little card that he held up and it had like -- it said "1 Ford," and it had the Ford mission statement. And he's like,

well, you guys have the best mission in the world. You should write it down and always keep it with you because your mission is to end extreme poverty and to promote democracy around the world. And so we do that, we have a card we always keep with us somewhere here. Here it is. And it's just a reminder that when you're part of a mission-driven enterprise, as I know you know, you get to be a part of something bigger than yourself, and that's what's so exciting about the chance to serve in this administration and at USAID.

MR. KHARAS: So it's great. I mean, you have this new mission. You have ending poverty in there. I think actually it was here at Brookings when you announced that ending poverty was going to be your mission.

MR. SHAH: Yes.

MR. KHARAS: But really, you know, you are the head of an agency that most people talk about as being foreign assistance and that's got to be tough because "foreign" and "assistance" don't seem to be two words that are very popular in America at least, so.

MR. SHAH: Well, when I started, Homi, a lot of people said -- Peter McPherson is here, who executed this job to a level of excellence that I've always admired in the past, and thank you, Peter, for being here. But people have always told folks like Peter or myself exactly what you just said: foreign assistance is not that popular. Keep your head down. You know, just try avoid getting cut by this political shift in our Congress or anything else.

I just want to tell you, I believe the exact opposite is true. I think that when you reach out and connect people and tell them what we're capable of around the world, that American technology, American volunteerism, American religious institutions, American NGOs, American companies can all work together in a big global partnership,

and together we can end extreme poverty. Together 6.6 million kids don't have to die under the age of 5. Together a billion people don't have to live on a dollar and a quarter a day. And you demonstrate you can deliver those results, people are, across the political spectrum, inspired by the opportunity to support us.

And if you just look at the last five years, we have rebuilt this agency, hiring more than 1,200, 1,300 staff. We have increased our budgets consistently, even throughout sequestration years, where not only is our aggregate level of funding considerably higher than it was under the prior administration, but actually each of the last three years our budget has been higher than even the President's request for USAID to Congress. We have as much support from very conservative Republicans as we do very liberal Democrats. And it's because basically every political leader, with a few exceptions, can come together around the basic idea that we live in an exceptional country, we have exceptional responsibilities. And when we promote a foreign policy driven in part by our values, we are making ourselves safer and more prosperous at home.

MR. KHARAS: But do you also think that one of the bedrocks of that bipartisan support is that you've also included in your mission statement that, you know, your purpose is to, I think the words are, advance our security and prosperity? I mean, at the end, you are linking this to the U.S.'s national security strategy and U.S. interests and U.S. self interests, and essentially saying this is good for everyone.

MR. SHAH: Absolutely. You know, you look across history, big USAID achievements in the green revolution, in the child survival revolution, in efforts to bring democratic process to Eastern Europe after the Cold War, and more recently to rekindle the fight to end hunger, to end extreme poverty, and to engage deeply in fragile states on consequences like the Haiti earthquake or the Ebola crisis, every one of those

investments is an investment that our people make at some risk to themselves in order to advance American values and American security and prosperity. And there's no question.

In October, when I got back from West Africa, folks were panicked across the board and I couldn't even go to my kids' soccer game that weekend because, you know, people were just anxious and nervous. There were 120 or about 120 new cases of Ebola a day in Liberia when I was in West Africa a few months ago. Today, there's less than one. That didn't just happen. I know the *Washington Post* and the *New York Times* will make it seem like it's just a random occurrence. It's not. It happened because America invested a billion dollars. It happened because American service personnel created the mindset of safety and purpose. It happened because our health professionals just rushed in.

It happened because an NGO we had supported not just for the Ebola fight, but for five years prior, called Global Communities was already working in Ebola-effected communities and they came up with the concept of trusted burial teams that could remove dead bodies from the setting very quickly and efficiently and respectfully. And you saw the main vector of transmission just caused the disease to go straight down.

No one expected that. Everyone was projecting straight up, not straight down.

People who do this work have an expertise and a commitment to it and they absolutely make our country safer and more secure.

MR. KHARAS: So it's interesting that when there are crises like this, America, your agency, responds fantastically and things get done. But you've also talked here amongst other places about how if we don't fix things like climate change, these long -- you know, it's not an immediate, short-term, pressing crisis. It's one of these long,

drawn out crises. And you said if we don't fix that, we're not going to end poverty.

Do you feel that we actually now have the staying power to invest in these kinds of long-term crises when you don't have that immediate political attention, when you don't have the *Washington Post* and the *New York Times* sort of breathing down your neck all the time?

MR. SHAH: Well, I think we've -- I don't know the answer to that question. I think we have to fight every day to have the staying power to maintain this mission and maintain this cause. When I started, there was some debate about whether America should have a singular lead development enterprise. Actually, USAID at the time had no budget authority, had no policy division. It was kind of hard to find out who was making decisions and who was accountable for what. Our staffing had been cut by 60 percent over a 10-year period even as our wartime responsibilities in Iraq and Afghanistan went through the roof. So we had a lot of restructuring to do just to rebuild our capabilities, all of which we did with bipartisan support.

Taking it forward, you know, between now and 2030, I think the way we can continue to build on that track record of success is by constantly expanding the pool of partners who are working with us to end extreme poverty over the long run. And if that means working with Unilever on supply chains that allow for no illegal deforestation in Indonesia and Colombia with respect to palm oil, or new partnerships with scientific institutions to map crop production in certain places and understand where production stresses are going to have climate consequences that then have consequences for the vulnerable populations in those areas, we need everyone on board with this mission. It can't just be one public agency. It's got to be companies and faith institutions and scientists and universities and young people who are willing not just to do the work with us, but also fight for the cause.

MR. KHARAS: But let me ask you, when you have these kinds of partnerships, at the end of the day you're still an implementing agency and you still have oversight responsibilities, budget accountabilities, all kinds of things. And in fact, one of your predecessors, Andrew Natsios, has basically said, you know, there's a major problem here where you guys spend all your time dealing with that kind of stuff and not enough of your time dealing with the program design and flexibility and all these lovely things that you would ideally want with partnerships to be able to have a real development impact. So do you think that balance has shifted during your time?

MR. SHAH: Well, the compliance culture in American government is still alive and well, so I don't want to disabuse anyone of the notion that we don't do a lot of compliance and that that's kind of forced upon you by an oversight culture that says if there are mistakes made, you're in trouble. And if there are successes, oh, that was going to happen anyway.

Bill Gates actually once said this and I think about it almost every day. He said if people judge the software industry the way they judge the development industry, they would only write about the Wang computers and the decline of IBM, and they would write about the institutions that had achieved greatness and then fallen and not write about the aggregate impact we have as a country, as a global effort to fight poverty, which has been uniformly extraordinarily successful.

So, yes, I think there is too much of a compliance culture. But, on the other hand, you know, we have gotten tough with some contractors over the course of my tenure. We've debarred and eliminated a handful. We have suspended even more. Our disciplinary and enforcement actions are up some 440 percent or something relative to the prior administration. And I think that has given us the credibility to say, you know what? We'll deal with the accountability issues on big mistakes. Give us the capacity to

be flexible and creative in some areas of work.

And when we launched the U.S. Global Development Lab the idea was very much let's bring more experimentation and technology and new ways of working so we can see what works, what doesn't work. And we can fail often, but fail small, and then take to scale things that we have more confidence in.

MR. KHARAS: Okay. So you want to be judged by results and so let's take the example of Haiti. So you came in just a few days before the big Haiti earthquake. And I think at that time everybody said, look, we're really going to learn -- we had lessons from the Aceh tsunami and we don't want to do fragmented programs. This is going to be our showcase of how we work together with partners, et cetera.

So here we are, I don't know, is Haiti a really positive story? You said universally successful. Would you -- the politics, social, economic situation seems to be a bit of a mess, don't you think?

MR. SHAH: Well, it is easy, Homi, as you know, to point out that Haiti is still the poorest country in the hemisphere and there's far too much human suffering and institutional weakness as a result of that. I recall visiting a few days after the earthquake, not even two days after the earthquake, with Hillary Clinton and we were literally walking around the airport looking for President Préval and there were piles of rubble everywhere. Twenty-one out of 22 ministries had collapsed. The U.N. building had collapsed and took with it many dear colleagues and friends, as you also lived through, and there was just devastation.

So in that moment, we mounted the largest humanitarian relief program the world had ever seen, civilian and military, all the international NGOs. And we spent the first three nights really, out of the Ronald Reagan Building, running air traffic control for the Port-au-Prince Airport determining which planes could land and which ones would

have to circle and wait. So it was pretty extraordinary.

Now compare that to where we are today. It is still tough, but there has been real progress. Haiti's growth rate is 4-1/2 percent. Its foreign direct investment rate is three times what it was before the earthquake. We have stopped dumping and monetizing American food in Haiti and calling it food aid. And we have reinvested in agriculture. As a result, corn yields have doubled, bean yields have quadrupled. Child nutrition has gone up significantly. The number of children who suffer from acute and chronic malnutrition is down by more than 50 percent. And all of this is even despite the earthquake and then the cholera epidemic, which, in many ways, came from an external source, as you know.

So, you know, I just visited there at the end of December. And after seeing the consequences of this work, I'm convinced that Haiti's in a much stronger growth position than it has been for a long time.

But I agree with you, that until they make legitimately responsible governance decisions and rebuild the strength of their public institutions, there's always going to be an upper limit on the amount of investment and growth they're going to experience.

MR. KHARAS: In many ways, I think that actually crystallizes one of the toughest tradeoffs that you have to make. So we all believe in local ownership. We all say local ownership is critical for development success. But we also believe in effectiveness of aid, which often is difficult if it's purely local ownership.

So do you think we more or less got that balance right in Haiti and other kind of tough situations like that? I mean, how does one -- first, how do you assess that? How do you weigh it? How do you change it over time?

MR. SHAH: Well, you know, as part of USAID Forward we took a strong

view that we wanted more local solutions and local institutions involved in our development programs. And progress against that goal has been slower than I'd like to see, but has been strong. And I personally think we should all as a community take more risk and be willing to have bumpiness in the results we deliver in order to ensure that we're putting resources in the hands of local institutions and giving them the shot to build capacity and capability.

There's no way to actually build capacity other than giving folks a chance to actually do something with real resources and to build professional institutions. And one of the things I most admire about the USAID teams that have taken our local solutions work forward is our lawyers, our financial controllers, our in-country organizational design experts, they get excited because they then work together. And instead of doing legal work in-house or financial controls in-house, they're going in teams and helping local NGOs or local ministries improve the skill set that they have in those ministries. And that's, I think, what we should be doing more of, and it does take some time.

You know, I was in South Africa, and I saw one of our HIV partners that runs basically a third of the South African HIV program. They're a local NGO. And when they started 10 years ago, someone made a bold bet in a local entity when a lot of people said, oh, you should just bring in a contractor. But that local bet, 10 years later, delivers kind of sustainability, capacity, a real vibrant, capable institution. That's the kind of time scale it takes and I think we have to be willing to take the risks to deliver on that.

MR. KHARAS: So in some of these places, like Haiti or even perhaps in Liberia, you get the sense that one really needs to have action across a fairly broad scope. I mean, you do have security challenges. You have governance challenges. You have all kinds of challenges and that often involves what we've called the whole of

government.

MR. SHAH: Yes.

MR. KHARAS: You get called to the National Security Council. You sit when it's relevant there. You've tried to have more of a whole-of-government approach. Is it really making a different?

MR. SHAH: Well, some things work and some things don't, so since I'm close to the end here I'll just tell you both.

First, it's been great to be part of an administration that has said we want to elevate the role of development in our foreign policy. And President Obama's been clear about that. Secretary Clinton and Kerry have both been very clear about that. Actually, I believe Susan Rice is coming here this week to unveil the national security strategy and I would ask you to pay careful attention to her words and you'll see an underpinning and an understanding that security in our world is fundamentally a byproduct of opportunity, of strong institutions, of a sustainable climate, and of an effort to help people seek justice through effective rule of law. And that basic mindset has elevated our agency.

What that has meant is our teams -- Alex Thier is here and Al Lenhardt, our acting administrator when I leave and our current deputy -- they spend a lot of time and we all spend a lot of time in the national security system. And I think that's a very good thing because we're learning about what are the consequences of a certain type of strategy or action in a particular place. We're often able to share where our efforts in Yemen, for example, did help to build and rebuild the southern part of that country after al Qaeda was removed 2-1/2 years ago. And we're able to be more relevant, especially in fragile states.

And I think the whole-of-government point is going to be more and more

important over the next 15 years because the development challenge will be less in middle-income countries and even lower middle-income countries and much more in fragile states, as you have written about and spoken about. And in a Liberia or in a South Sudan, you want to have a strong development and humanitarian presence, but you've got to understand that politics. You've got to have diplomatic capability aligned against your goals and objectives. And you've got to understand, especially in those settings where extreme climate and extreme ideology tend to now overlap with extreme poverty, that we need all the tools at our disposal.

Here's what doesn't work sometimes is a whole-of-government mindset without a strong and capable development lead institution can sometimes just dissipate the effort to think about the most vulnerable and to do the right thing and to bring the discipline of development to the table. So, you know, the idea that you should have whole-of-government solutions to every problem and then not have a USAID or a development expertise represented in that process can lead to a situation where you do a lot of things that have been done decades ago and proven wrong, and there are a whole lot of people that know that, but you don't have the right folks at the table.

And fortunately, in our setting, on what we're prioritized, that has not been the case, but it is something to look out for in future administrations.

MR. KHARAS: I think interagency collaboration is always something which is difficult, but, you know, maybe you've highlighted that we could also at Brookings do more interprogram collaboration. Maybe we should have had you on the stage at the same time as Susan Rice. (Laughter) The two of you could have answered that question together.

Let me take you a little bit to --

MR. SHAH: You know, but what Susan would say is that we all need

better solutions for fragile states.

MR. KHARAS: Yes.

MR. SHAH: And because she has such a long basis of experience on development issues --

MR. KHARAS: Right.

MR. SHAH: -- she understands what this field has to offer. And the challenge we often have is we'll sit down together and say, okay, how can we be more relevant in Libya when it's not safe for our people to be there? But right now we're helping taking people from Libya into Europe to work on the constitutional drafting process. That's hugely important for security over time and it doesn't get as much attention as other parts of the effort there. But how we come up with solutions for increasingly difficult and insecure environments will, I think, be a big part of what success looks like in the next 15 years.

MR. KHARAS: So let me take you from that to beyond the U.S. So Susan was sitting in New York. This is the year when the U.N. General Assembly hopefully will have the successor agreement to the Millennium Development Goals, the Sustainable Development Goals. They'll do a big Financing for Development Conference. So you've got all these big international things. Do you think they actually make any difference?

MR. SHAH: I know they make a huge difference, in part because I started from a place of deep skepticism and then studied this carefully. (Laughter)

You know, if you look at the MDGs, over a decade, the degree to which country after country and big, massive U.N. institution after big, massive U.N. institution started asking themselves are we performing against these goals, started comparing their performance to the country next door and saying, okay, what does your graph look like

and is ours steeper or flatter and can we learn from you and this and that, that all became important for how institutions like ours allocate resources. It became important to understand what's working, what's not working. And it set a common basis of what it meant to achieve developmental outcomes, and it was quantitative and measurable.

So our view on the goals going forward is we need a strong set of Sustainable Development Goals. Strength is in a limited number and in a measurable set of indicators so they can be tracked and meaningfully assessed going forward.

I mean, it's a statement of President Obama's conviction on this issue that's both three times now made reference to ending extreme poverty in the State of the Union Address and that John Podesta was our representative to the High-Level Panel that you did a lot of work with. And now Tony Pipa from USAID's policy team is bouncing back and forth New York to help lead the negotiations on the U.S. side. So we are very committed, but this is very, very important.

And it's easy to say this isn't that important and there are lots of important things, and then five years from now you'll realize that we've missed an opportunity. So we've got to seize the opportunity now, this year, a limited set of goals; a focus on ending extreme poverty; an understanding that extreme poverty is going to be about fragility, conflict, governance, and climate; and a commitment to do the right thing in how we allocate resources so we're serious about delivering that result against the deadline.

MR. KHARAS: So we don't know exactly what the shape of these new goals is going to be and, as you said, there are perhaps a few more than what you would like to see ultimately emerge. But once they do emerge, do you think your successor is going to need to change internal things in the agency in order to map more directly to those goals? Would that be the way to go?

MR. SHAH: Yes. I mean, they obviously have to and that constant process of renewal of what we're focused on and measuring is a big part of what it means to lead USAID. You know, when I first started we went through each portfolio of effort and we said, okay, let's look at food and hunger. Are we delivering against the goal?

We made the decision we wanted to invest more in agriculture and restructure how we did food assistance. Today, we know Feed the Future helped 7 million farmers, has moved 12 million kids out of under nutrition. And our food aid reforms, as incremental as they have been, are still the biggest reforms we've had any time in the 60-year history of that program through the Farm Bill, getting 20 percent flexibility, that allows us to respond much more efficiently to crises and allows us to focus on resilience and nutritional outcomes as opposed to bags of wheat. So we did that.

In education, we said, okay, are we delivering learning attainment in this program or not? We're the world's largest investor in girls' education around the world. And we restructured our program to measure student outcomes in second and third grade level, these early grade reading assessments that hadn't been done before. But we knew that just getting kids into school and then watching learning attainment go down, not up, was not what success was supposed to look like. So we focused on those quantitative measures of outcomes and attainment and now that's taking place broadly around the world.

Those are the kinds of things that you've got to constantly fight for, documenting the results of our efforts. And absolutely, as the new set of goals appear, we're going to have a new set of things to track and measure against.

And I don't want to give the impression that in American public administration you have the ability to freely move the money to the highest impact

interventions and the cheapest way to save lives. But if you fight aggressively with that in mind, sometimes you can be successful.

MR. KHARAS: In the goals, there's a sense that the level of ambition should be raised and so there's lots of phrases like "business as usual won't be enough," and so people talk about innovation and bringing new technologies and new partners to the table and, you know, really doing things differently. And you have set up the Global Lab. You have Global Innovations Fund, Power Africa, Feed the Future, lots of innovative initiatives.

MR. SHAH: Partnerships.

MR. KHARAS: But would you describe USAID today as an innovative organization?

MR. SHAH: I absolutely would. Look, when I started, about 8 percent of our total resources went into larger scale public-private partnerships. All the ones you just described have been new since we started. Today, as a result of the list you went through, 46 percent of our FY '16 budget request goes through those types of partnerships. That's a shift of billions of dollars of aid and assistance into measurable science and technology-oriented partnerships that are delivering real and expanded results on the ground in country after country.

I think when we look around the world at our peers, increasingly they're looking to us to say how do we engage in these kinds of partnerships with you? And ironically, we have some great partnerships with partners I wouldn't have sort of immediately guessed would become our closest partners on technology and innovation. Sweden is a great example. They've put $400 million into the U.S. Global Development lab and its programs to help us take that forward.

So, you know, I just think people want to connect to a vision of ending

extreme poverty that's not just about kind of brute force doing things, but really about leveraging private investment, using credit guarantees and other forms of new tools to drive private capital against these goals, and coming up with the new technology frontier, whether it's drought-tolerant seeds -- which I still think are the most transformational technology to hit East Africa in a long time -- to new water filtration systems to new mobile phone applications.

And I get sometimes criticized because during a period of sequestration we built new institutions within government, so some people will say, hey, you really weren't supposed to do that. And I don't really don't even know how to respond to that because I feel like what we should be constantly doing is renewing ourselves. We cut 38 percent of our programs in order to have the flexibility and headroom to create the Global Development Lab, to create Feed the Future, to have a focused effort in 24 countries on child survival, to make sure Power Africa has the resources and the public-private framework it needs to succeed. And I'm really proud of those accomplishments. And I just think we should always renew and always innovate and always adapt ourselves given what we know is the new cutting edge in development.

MR. KHARAS: And I think one of the really interesting things is there have always been two models, let's say, of how you bring innovation into bureaucracies. And one model is you try to create an innovation culture everywhere and the other model is you do it in very specific areas and then you kind of build out from that. And you've clearly gone to that second approach.

Are you fully convinced that that's the right approach, that it would be just too difficult to build the innovation culture? And has that innovation culture actually spread everywhere else in the organization?

MR. SHAH: You know, nothing spreads everywhere, but I think it has. I

really do. It's not just a few targeted programs. It's really about having flexible resources and more of a mindset that says, okay, how do we get from X to Y better, cheaper, faster?

And the Global Development Lab has these Grand Challenge Programs, which folks might be familiar with, but we have 5,500 new partners that have applied into the 7 or 8 Grand Challenges that we've done. The largest Grand Challenge, the most oversubscribed we've ever had, was on the Ebola response.

But just having a lab that brought in creative, new ideas would not have been transformational in the context of the Ebola response. It would have been an interesting side event. What made it fabulous, we're taking a couple of those ideas, like building a real-time data system in West Africa that could identify Ebola-positive cases, report that on a daily basis after they were lab-confirmed, and deploying that quickly in West Africa. And we did that and it made a huge difference in fighting Ebola. And that's what USAID can do that a lot of other institutions, some of which I've been a part of, have less of a capacity to do, which is to say we can take a great new innovation and we can apply it in the fields because we have a big field presence and we have bilateral programs in countries and we have resources to deploy, and it's that connection.

So I think you've got to do both. And I think over time people get excited about things that work and that are new and that are oriented around technology.

MR. KHARAS: And sometimes it seems that once the innovations get to a certain stage you feel the need to institutionalize them. And so I know that there's efforts to pass a law to institutionalize Feed the Future. When does it get to that stage? Why only Feed the Future? Why not institutionalize in law some of these other innovations?

MR. SHAH: Yes. Well, first let me say we got Water for the World

passed, which was great. It validates the water strategy we put in place that restructured that $600 million a year investment to focus on under-five child mortality and access to safe sanitation. We have, over time, worked on a whole series of legislative fixes that have given USAID new authorities.

And then I thought what happened in the last few months was extraordinary. In addition to having the Farm Bill pass with real, meaningful reforms to American food aid, Feed the Future passed the House with strong Republican leadership support. Power Africa, or Electrify Africa, passed the House, as well. And I just think there's potential for this legislation to codify Power Africa, Feed the Future, all these things into law, and that's very, very exciting. But what is even more exciting than just any one initiative being codified into law is to me it shows a bipartisan pathway that can continue to be our source of political support for the fight to end extreme poverty.

And I guess today is Tuesday, but later this week, 4,000 people will gather at the Capital Hilton for an event we call the National Prayer Breakfast. And, you know, that brings conservatives and liberals together, but it has a -- I think it originated among some conservative political leaders. But through that process, people can demonstrate and show even further support for this kind of work. And I think we have an obligation to kind of find the politics that can bring people together, get these bills passed, get our budgets increased, and then tie it all together and say this is all about our fight to end extreme poverty and shouldn't America really lead that fight.

MR. KHARAS: Great. So, Raj, we have just over 20 minutes left in this session, so I'd really like to now turn and bring the audience into this conversation. There are some mics that are around, so if you can please, of course, first introduce yourself. Second, please ask a question with a question mark at the end of it.

So let's start with the gentleman right there.

MR. DAVIS: Thank you, Homi. Will Davis with the U.N. Development Programme. And Administrator Shah, congratulations on nothing short of a remarkable tenure at USAID. And thank you for your answer on the U.N. processes. But in these processes we're starting to see perhaps an alternative model of development ranging from a BRICS bank to a China infrastructure bank to even a country like Turkey now becoming a donor country.

Do you see something of a divergent aid perspective amongst the international community or is there going to be more harmony going forward? Thank you.

MR. SHAH: I think that's a great question and I would recast the way you asked it because, to me, the one thing in development we're not yet really succeeding on at the scale we should be is financing emerging markets' infrastructure in a way that is sustainable, that is low cost, that allows for, Homi, what you were saying, a low-carbon infrastructure.

And I personally believe the bank and the development banks used to do a lot of this. They don't do as much as they could today for a variety of reasons, some of which imposed by their shareholders, including the United States. I think the Chinese Development Bank has become the world's infrastructure bank over the last 15 years.

And if we've learned anything from Power Africa it's that many of our partners are seeking an alternative model that brings Western standards and rule of law and transparency to the task. And I look forward at a long-term interest rate environment that's very, very low. I mean, current interest rates and expectations of even lower interest rates in the future, which means that big, big pools of capital, sovereign wealth funds that are a trillion dollars, in multiple parts of the world are seeking yields. And they're going to find that yield someday in emerging markets and in assets that look like

infrastructure.

So I think there's a huge opportunity to intermediate between the potential of those big investors and the needs around the world, and I don't think it's being met today by existing public institutions. I don't actually think the BRICS bank or the Asian infrastructure bank is necessarily the best way to conduct that intermediation, which we could get into the detail of that.

But there should be a better solution and we will not end extreme poverty, we will not see the kind of influx of capital investment in emerging markets unless we figure that problem out. And I hope that this summer's Financing for Development Conference really digs down on that challenge because I see it as one of the central unaddressed challenges out there for solving global poverty and creating a stronger basis of shared prosperity.

MR. KHARAS: In fact, indeed, Raj, I don't think we've looked at the multilateral financing system since Bretton Woods, which is now almost 70 years ago.

There was another question in the front row, in the aisle.

MS. CHEROW: Thank you. Hi, Evelyn Cherow from Global Partners United, a social enterprise public-private partnership.

I want to thank you for being out front during your tenure on the issue of disability inclusion for the 1 billion people around the world with disability who still lack access to health care and education and employment for lack of capacity building. I've been very focused on global health. And the wonderful strides we've made in addressing child mortality still continue to ignore morbidity and early identification in these saving lives efforts.

I'm wondering, I know there's a USAID policy, the U.N. has certainly been trying hard with the convention on the rights of people with disabilities to integrate

them into the post-2015 agenda, but we just heard at Brookings a couple weeks ago the assistant secretary-general speaking about vulnerable populations, but never really articulating people with disabilities. And that's a growing population from savings lives and from the aging of the world's population.

Where do you think we are with this? I've asked Dr. Chan, Margaret Chan, at the WHO conference in Dhaka, and she's feeling the post-2015 agenda, health is not getting much visibility, as we know. So how do we really talk about extreme poverty and not talk about a billion people with disabilities? Thank you.

MR. SHAH: Well, I appreciate the comment, Evelyn. I think it is important to have a strong disabilities policy and statement, as USAID does. We have a disability coordinator. We have a policy framework. We, in the context of many of our global health, but also other investments, are at the forefront relative to our peers on addressing disability issues in the context of our grants and programs.

I also believe over time we tend to see the path of development is strongest when it's most inclusive. And society after society, as they bring more people into their economic system, whatever their race or ethnicity or disability, they perform better, they are stronger, and that's part of the path of development. So it is appropriate as part of a focus on inclusive development to preferentially focus on marginalized populations, including the disabled.

The one thing I'd want to kind of point out is as you talk about morbidity and mortality, I think it can be very easy for the world to lose sight of the fact that if you're trying to improve health in the broadest strokes, saving a child's life is going to make a huge difference on both mortality and morbidity. And the reason is we focus on child survival because it's measurable and because it affects resource allocations.

But if you look at where we end up allocating our resources, if we

execute a real focus on under-five child mortality, for example, we tend to invest more in marginalized communities -- urban slums and rural areas relative to middle class -- in a place like Kenya or Tanzania. We tend to focus more on children's health, which means slightly less facility-based investment and slightly more getting out into communities and taking care and services to the house and the home, as they've done in Ethiopia very, very successfully. And we tend to then create an event, technologies that get deployed, that lower-skilled service personnel, like community health workers, can deploy in the context of a home setting as opposed to a professional care setting.

I believe, although this is a testable hypothesis, that that basic trend -- getting out of hospitals into homes, getting technologies that work in that setting, getting out of the doctor mindset into the community health worker mindset -- that that's the most inclusive strategy for addressing the needs of a broad range of marginalized populations. And so I think we are achieving more impact for our investment when we take that approach. And ultimately, it does come back to using the metric of lives saved as a way to get us there.

Is that George in the back?

MR. KHARAS: Questions?

MR. INGRAM: George Ingram with Brookings.

Raj, I was really pleased to hear you use that Grand Challenge example of the Ebola data because, for me, that speaks volumes on the value and importance of sharing data, data transparency, and would love to hear your thoughts on the importance of that and the ability of the U.S. to fulfill its commitments to IOTI.

MR. SHAH: Good. Well, thank you, George. At the end of the day, I continue to think the most important thing that many of us can do in these roles is just liberate data. And we have an API site, so if you go to usaid.gov/data, you'll see all the

API data sets, and we have been putting hundreds of those data sets up.

When we fund external partners and in their grants and projects they do surveys and collect data and information, we take legal ownership of that so that we can make it open and available. And it is interesting that, over time, making that data open to people is the key to broadening the base of people working on development and health issues and improving the effectiveness and efficiency of that.

And the Ebola response is a good example. You know, people were used to kind of debate a little with each other who owns the data? If there's an Ebola-positive in your country, do you have the sovereign right to determine whether or not to tell anybody? And to some extent, data has been seen as a sovereign issue. I think technology's just going to blow that away.

And the reality is we're now investing in creating an open data map for all of West Africa that would identify that. Once it becomes open and public it's very hard to then say, oh, as a sovereign right we're going to wipe the slate clean of information. You're just resetting the baseline and I think we should reset the baseline across development.

You know, I think our Feed the Future data sets are some of our best data sets that show in Ethiopia, for example, in the zone of influence for our Feed the Future effort we've had a 4 percent annualized rate of reduction in stunting over the last 3 years. And we have that measured against a counterfactual. That's an extraordinary data set because it tells you that you've achieved this reduction in stunting that was, frankly, faster than anybody thought was possible. I didn't think it was possible. I thought stunting just takes more time because it's a long-term chronic process and yet you see a reversal quite quickly and it changes the way people think.

In Somalia, during the famine, we built an open data set that showed

migratory patterns in an effort to better serve refugees. And that, unfortunately, went away when the response went away. But that kind of data and engagement can really unlock all kinds of new possibilities.

So I'm just agreeing with you, I guess. The data is super important. Making all of it as open as possible is critical. Those in the community should continue to fight for the standard that all data should be open. There should be no excuse for making it -- to walling it off. And we as a country should invest more in those kinds of data systems. And through the U.S. Global Development Lab, by the way, we are in this unique partnership with William & Mary on aid data.

MR. KHARAS: But, Raj, let me just follow up on that because it's one thing to say we should make data more open and accessible, but the reality is that we also don't have a lot of data. So who's in charge globally of thinking about what is the data that we really need and how do we make investments so that we get it?

MR. SHAH: Yes. So I actually disagree. I think we have a lot of good data. We have data sets that don't talk to each other and we have fragmentation, but actually spend a lot of money collecting a lot of information. And different people will do that for different purposes. When we constructed the Feed the Future monitoring system, for example, we said we need to know what's happening with crop yields, what's happening with household incomes, what's happening with women's household incomes within a household in a family that's a beneficiary of the Feed the Future program, which, by the way, showed not much relative to men. And so that caused us to shift a lot of what we were doing. But that kind of, in that case, bad data about performance for women's income needs to be known, it needs to be open, all our partners need to be able to see it so everyone can change their strategies.

So I don't know the answer to who should be kind of in charge broadly.

But I just know as we collect more information, all of it should be in open formats because then I think super smart young people will figure out ways to stitch together and visualize it and use it for accelerating our response.

MR. KHARAS: This lady there and then in the middle.

MS. HENDERSON: I'm Laura Henderson from CARE. Your talk today was focused on a half-decade of U.S. development assistance and I was just wondering if you could offer some advice and reflections that you might have for U.S.-based NGOs that are looking at the next 15 years and how they might change and adapt over the coming 15 years to the rapidly changing world and to the many challenges we're trying to address. Thank you.

MR. SHAH: Well, thank you, Laura. I think our NGO partners do some extraordinary work. Over the next decade what I'd love to see is a little bit more of what I understand that CARE has done in some places, like Bangladesh or elsewhere, where you appear to have put more effort into having the local affiliate operate -- not operate independently, but build an independent capacity to be a local institution with local governance, a board, and a fiduciary responsibility that can be managed locally.

And in many ways, I think some of the larger U.S. NGOs and contract partners can be at the forefront of building local capacity often by using your own subsidiaries in those environments to build great, strong local institutions. In that subsidiary, have it over time become independent and strong and sustainable in its own right.

My understanding is CARE is doing some of that in some places. I know some of your board members have been discussing that. I think that's exactly the right transition to make. And it's hard and I understand why it's hard. Because leaders in this country are going to be judged by how many affiliates do you have, how much revenue

did you bring in, how many dollars do you control? And it takes real leadership to say those are not necessarily the metrics of success for us. Our metric of success is going to be how much local capacity did we build, how much of this can sustain itself over time? And we concentrate our efforts on things only we can do.

MR. KHARAS: The gentleman over there.

MR. IGOE: Good afternoon. Michael Igoe with Devex.

Dr. Shah, it seems to me there's maybe a little bit of attention between the focus that you've placed on local solutions and local ownership during your tenure and USAID's increasing ownership and role in interagency and sort of centralized initiatives, and, you know, there are arguments to be made for the importance of those. But I just wonder how you think about that balance between, you know, divesting, decision-making, to mission directors, to staff in the field versus really making USAID the central player in a lot of these centrally directed and centrally prioritized initiatives. Thanks.

MR. SHAH: Well, that's a great question. It's actually a very tough question, as you know, because I'm probably not regularly accused of decentralizing a tremendous amount of decision-making. And the reason for that is the entity I entered had a deeply decentralized system, so people didn't know what was going on, and doing something brilliant in one setting had to be reinvented 35 times in 35 other settings if you wanted to be more global in your approach.

And as a result, the core knowledge and disciplinary expertise that resided in the institution was either narrowly focused on one small part of Uganda or was deployed in Washington, but not connected effectively to programs and policies in a broad number of countries around the world. So we have centralized a fair amount of strategic decision-making and we've said we're not going to try to do everything. We did

actually cut 38 percent of our programs in order to focus in health, agriculture and food, water and sanitation, education, democracy and governance. It's still a very broad list, but at least it's more focused where we can build strong, centralized, technical capability and then deploy that around the world as needed for projects and programs.

I'd say what I've learned from that is today we're a more centralized institution, especially for the more visible developmental initiatives. And I'd say two things about that.

One is I think that's what you have to do to win support in Congress. I think it's what you have to do to keep the budgets strong. And I think it's a level of accountability that the American people will now expect and demand in the future. In fact, if you look across 15 years, PEPFAR, PMI, those types of programs kind of pioneered that approach long before I arrived.

But second, I do think there are many areas where even now I can see the pendulum swinging back towards more decentralized thinking. The FY '16 budget has a 20 percent increase in resources for democracy rights and governance, $2.4 billion in that space. And the reality is our DG officers around the world, country after country, know where to place those resources in a way where civil society groups have the capacity to thrive and stand up for human rights and fight for transparency. So that's an area where I can see the pendulum already swinging back. So any large institution, as I've come to learn, these things will swing back and forth.

The one thing USAID has to continue and will continue to do going forward is be clear about the results we deliver for the American people, communicate that coherently based on real data that can be validated in a central manner.

MR. KHARAS: Thanks, Raj. We've only got one minute left, so I'm going to take the chair's prerogative and give you a nice, easy softball question.

MR. SHAH: Uh-oh.

MR. KHARAS: So a friend, a head of another major development agency, wrote a treatise called "The Death of ODA." So first, I presume you don't agree with that, but can you, in one minute, just give us your view about the future of development cooperation over the next 15 years if ODA is going to die? (Laughter)

MR. SHAH: All right, I'll take two minutes. I'll do two different things.

The first is I will say the idea of the death of ODA is just wrong. The reality is our world spends somewhere between 130-, $135 billion a year we call official development assistance. Some percentage and an increasing percentage over time of that is true results-oriented developmental investment. And done well, it changes the world. And I suspect all of you are in this room because at some point in your life you've been touched by the transformation of that investment.

And the trends we've talked about: more leverage;, more private sector engagement;, more science and technology;, more focus on local capacity;, more understanding of how climate, ideology, poverty, all overlap; and more focus on fragile states. So those are the basic trends.

But the basic idea that you can take some huge percentage of that $130 billion a year and use it to change the world fundamentally for the better, at a time when we still have 860 million people, mostly kids, that will go to bed hungry, deeply, deeply hungry tonight, strikes me as a small part of our global commitment to justice that we should fight for and maintain and not let anybody say there's going to be an end to ODA.

Second, I think you would appreciate again, because I know many of you are in this field, at the end of the day this work changes the people who do it, I suspect, just as much as it changes the folks who get to be partners and recipients, beneficiaries of these programs. And I think the most profound experiences I've had in this role has

led me to recognize that there are 10,000 people at USAID, all of whom have an extraordinary commitment to justice, to mission, to fairness. And big, strong, exceptional countries should nurture that in their populations because it's part of how we maintain our strength for the long run and because it's the right thing to do.

MR. KHARAS: Raj, we thank you for your compassion, for your leadership of USAID. And thank you so much for sharing your thoughts.

MR. SHAH: Thank you. (Applause)

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