

# **Center for Strategic and International Studies (CSIS)**

## **USAID at 50: Legacy of Progress and Future of Partnership**

### **Introduction:**

**John Hamre,  
President and CEO,  
CSIS**

### **Moderator:**

**Dan Runde,  
Co-Director, CSIS Project on U.S. Leadership in Development  
And Schreyer Chair in Global Analysis,  
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### **Speakers:**

**Dr. Rajiv Shah,  
Administrator,  
USAID**

**Henrietta Fore,  
Former Administrator,  
USAID**

**Andrew Natsios,  
Former Administrator,  
USAID**

**Brian Atwood,  
Former Administrator,  
USAID**

**Peter McPherson,  
Former Administrator,  
USAID**

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JOHN HAMRE: OK, everybody. Good morning. The only hard part about this morning was going to be to get the energy toned down just a little bit to get started. I mean, this is just fabulous. We're so glad to have you all here. Thank you very much for coming.

My name's John Hamre. I'm the president of CSIS. I have the great advantage of standing up here and pretending to be responsible here and taking credit for good things that happen, so I'm really – this is wonderful, and I want to say thanks to my friends here at CSIS, especially Johanna Nesseth and Dan Runde for pulling together this event.

And special thanks to our friends at Chevron that our making possible our opportunity to present the development agenda to Washington. And we want to present it in a new way. We think that there is – there is a bitter debate going on in America about development, but it's off on the wrong track, you know, because what we're all after is healthier people, healthier communities, healthier societies, healthier countries. That's something that could unify everyone. That isn't something that should divide America; that should be something that unites America. And that's our purpose for this. I want to say thank you to our friends for making this possible at Chevron.

We should say a hearty welcome to the staff of USAID. They are right now at the Reagan Center on a podcast watching all of us, and they want to know what their bosses are going to be saying, and so we want to say thank you to them for joining us today. I was a government employee for 25 years, and I want to say how proud I am that they're still willing to serve. And we're – we really do need them. (Laughter.) Give them a round of applause. That's our – (inaudible, applause).

And let me say a great welcome to our friend Aaron Williams, who heads up the Peace Corps. And we're delighted he's here. (Applause.)

You know, this, of course, is the 50<sup>th</sup> anniversary for the Peace Corps, and the 50<sup>th</sup> anniversary for USAID. And, oh, by the way, the 50<sup>th</sup> anniversary for CSIS. I'm not exactly how we're lucky enough to get in that good company, but we are front end of celebrating our anniversary as well.

And, you know, when you mark anniversaries, you know, there's a terrible tendency for – just to be about nostalgia. That's the not the reason that we mark anniversaries. We look back in order to inform ourselves about what we are, what we're trying to do, what's important to us.

And of course, back in 1961, it's hard for us to remember. About half of the room here wasn't born then, so let me just refresh your memory.

Back in 1962, there were two contending, you know, blocs in the world. And there was the democratic, liberal, Western-oriented bloc that believed in rule of law and participatory pluralistic society, and there was a mobilization authority bloc that had a different construct on how to organize the world. And it wasn't clear in 1962, how that was going to play out, you know. It was only four years after Sputnik, when we were shocked. We didn't know how it was

going to end. We knew what we needed to do. We weren't going to win the Cold War by having a larger army. We were only going to win by having better ideas and ideas that the world wanted.

And that was the starting point of AID. That was the starting point of the Peace Corps, presenting to the world superior ideas, ideas that, by themselves, would draw support and be winning ideas for the world. And it was a huge and important part of the success of our grand strategy.

Now we're in a new time, in some ways a far more difficult time, a more challenging time. And it – but I would argue, it probably is one that it makes it more important for the United States to be a progressive and constructive leader in developing healthier people, healthier communities, healthier countries. That's what this is about.

Now, to commemorate that, we're – there's a series that we're going to have, and nothing could be better than starting it with this – with this event. And I want to say special thanks to the USAID administrators that have chosen to be with us today.

Peter McPherson, of course, was the pioneer that brought food into the agenda and did such pioneering work at that time; Andrew Natsios, Andrew, who has been just a champion for development, and indefatigable, and we've been very grateful for that service; Henrietta Fore – now, Henrietta is also one of my bosses, I should tell you, so I have to say very glowing things about Henrietta – (laughter) – and – but I just admire here so deeply and she did such important work to bring the public-private partnership dimension to AID; and of course, Dr. Rajiv Shah, who is now leading USAID through challenging times, but with enormous energy and conviction.

And so we're lucky to have them here. And I'm going to get off the stage, but I do want to say thank you to all of you for coming, thank you to our USAID friends who are watching us remotely, and let me turn to you, Dan. Why don't you get this going for real? Thank you, all.

DAN RUNDE: Thanks, Dr. Hamre. (Applause.)

Thanks, everybody. A special welcome to our friends at USAID who are watching in the point four conference room (sp). This is the Chevron forum here at CSIS. It's USAID at 50.

And we have a lot to celebrate, a lot to look back on. When I think about USAID, I think about service and I think about sacrifice and I think about people like Holly Weise (ph), my first boss, who was a foreign service officer; I think about innovators like Jim Thompson (ph), a great civil servant; I think about great foreign service nationals like Dennis Karepinov; others who went on to become prime ministers or cabinet members of their countries. There is just thousands and thousands of people who have lived in some of the world's most difficult places and then are – under very challenging circumstances.

But I also think about accomplishments like the Green Revolution, accomplishments like freeing hundreds of millions of people from dictatorships and helping to bring prosperity to the

world. So it's a record of accomplishment and a record of also looking back on service and sacrifice.

We also are here at a moment of great challenge. I think we'll have a chance to talk about that as well.

I think the folks to my left don't really need an introduction in this audience, either here or in the – watching over the Internet. I'll just briefly mention who each of them are, but you have their biographies in front of you.

To my immediate left is Peter McPherson, who was an AID administrator in the Reagan administration; Andrew Natsios, who was AID administrator under George Bush 43; and then Ms. Henrietta Fore, who was also AID administrator under Bush 43; and now Dr. Rajiv Shah, the current AID administrator under President Barack Obama.

I think we have an opportunity to talk about – we're going to talk about several things: We're going to talk about accomplishments, we're going to talk about sectors, programmatic sectors, and then we're going to talk about the issues and challenges outside of the Ronald Reagan Building, as I guess perhaps a way to describe the third area that we're going to talk about, so –

I want to – before I begin, though, I just want to – just to also reference the fact that at CSIS, we have any number of different programs here on international development, and we have a whole series of alums from USAID who are with us at CSIS, including Jerry Hyman and Johanna Mendelson Forman and Ambassador Bill Garvelink and Steve Morse (ph) among many others, so it's – we come to this conversation with a lot of heft and experience to this discussion.

So let me get into the first question that I prepared for each of the former administrators and the current administrator. The first question is about accomplishments. Since we're here for an anniversary, one has to think back and look at, what are, either in your time as administrator, but also in the longer arc of history, what are some of the accomplishments or a particular accomplishment that we should be thinking about when we think about 50 years of USAID service and sacrifice? I'm going to start first with Mr. McPherson.

PETER MCPHERSON: Well, thank you. It's good to be here. It's good to have Aaron Williams, who was an AID leader back when I was there, 50<sup>th</sup> anniversary of the Peace Corps attending as well today.

There were so many wonderful people and great projects it's hard to narrow the list down. I think of earth college (sp) in Costa Rica. I think of the sewer and water system in Cairo, in Alexandria and so forth.

But let me – let me go to three global efforts – not necessarily in order of importance; all were big impact. The oral rehydration therapy, which – we had a thousand people in a conference here in Washington working with Jim Grant at UNICEF, that grand old man of development. And after consulting and working it through, we announced we were going to

save two million lives a year in – per year in three years – just a tremendous effort. It was a magical thing. And it pulled along so much – (inaudible) – and health.

Next, the famine effort, '84-'85, one of the historical huge efforts. And an interesting part of that was, Ethiopia and Mozambique were one of the hardest-hit areas; they were both Communist regimes, particularly hardline with Ethiopia. A debate within the administration – remember, we're now in the middle – or a very intense period of the Cold War. And I recall so well taking the pictures in to see the president, and the president – and telling him about my trip – and Senator Danforth had been key before all this, by the way – and the president saying, “a hungry child has no politics.” And I came out and said, that's what the president has said. Andrew remembers all this. And we – that was a real – that was a defining moment in U.S. humanitarian effort by all administrations since. I saw this quote in the Economist six months ago again, “a hungry child knows no politics.”

Family planning. Now, we – family planning has diminished (in its ?) profile because so much was achieved. It's not all done, but it's big. International planned parenthood put posters in the back of buses saying I was killing women because I didn't fund abortions. Some people on the right said I was pro-abortionist – abortion because I supported IUDs. Push and pull on all sides, but there was more family planning money during the Reagan years than all combined administrations. The president was supportive. Just don't do abortions, Peter, and I'll be there.

The economic policies we – we were a key part of this – farm gate (sp) prices, exchange rates.

I'm so very proud of the people I worked with during those years. It was a real pleasure.

MR. NUNDE: Thank you. Mr. Natsios.

ANDREW NATSIOS: Well, just an extension on the family planning, the one area that I contributed to was to revise the formula for the distribution because the health money is distributed based on mathematical formulas and infectious disease rates. It's peer-reviewed every year. When people say, how do you give out the money, I say, there are actual scientific ways in which a lot of the science-based programs are distributed. But I said, is there a part of the formula that looks at arable land per capita in an agricultural society, because food and security is effective by this? And Ethiopia has very high fertility rates, 80 million people – it's the second-largest country in Africa, and we keep having food emergencies every two years, and we have to go in with massive amounts of food aid. So I said, revise the formula. We want more family planning money. We went from 2 million, I think, to 22 million first year.

MR. NUNDE: Andrew – just want to make sure, do you have your microphone on?

MR. NATSIOS: Oh, I'm sorry, I don't.

Do you want me to start over again. No – (inaudible).

MR. NUNDE: No, it's OK. (Laughter.)

MR. NATSIOS: And –

RAJIV SHAH: But do the – do the 2 million to 22 million again.

MR. NATSIOS: Pardon me?

MR. SHAH: The 2 million to 22 million.

MR. NATSIOS: Well, we went from \$2 million to \$22 million in family planning. We had yelling matches over this because they didn't want to change the formula initially. And I just got a note from the former director – she's retired now – of the family planning program. And she said, Andrew, these are the most extraordinary results because this is – we can mathematically track this. This is the largest improvement in – we've ever seen in any country in that short of period of time in the prevalence in the use of family planning among rural Ethiopians where this problem of food insecurity is most severe. It increased from 14 percent to 28 percent over a five-year period, and then in the cities it's gone up even more. And that's just the beginning. So what – it has even an effect now. Now, we had to take money out of Asia, where the program had been around for 30 years, but – into a country where we had a very small program.

So it does work, Peter, and I'm very proud of that because we also did, on the same way, an agriculture program in Ethiopia, and an economic growth program. And if you look – we started that in '03; I had seven hours of conversations with the prime minister, Meles Zenawi, I've known for many years. And I said, you know, you've had a 50 percent drop in your GDP while you've been in office, and it's not helping your government. If you look at the rates of growth since we started that, they've been 8 (percent) to 12 percent annual growth rates in Ethiopia. Their economy is booming.

Now, the last thing I want to show, though, or mention, is the thing I'm most proud that is not well-known, and that is the democracy and governance program, which was started by Peter McPherson. It was Ronald Reagan who started it. It started in '85. And Jerry Hyman, who was – I made the head of the democracy and governance program at AID. And he said, Andrew, we need empirical evidence that this is working, so let's do a worldwide 20-year retrospective of – and correlate the results. Look at – from 1990 – 1985 to 2005 and see what the effect is, and use the Freedom House index of democracy and governance and human rights as the quantitative measurements, if there's been an improvement in the country. And this is what the study shows.

This was done, by the way, not by AID, but by Vanderbilt University, University of Pittsburgh and later, we got the National Academy of Sciences involved. This is not an AID internal evaluation. Let me read it, what it says: The study found that for every 10 million additional dollars of U.S. democracy assistance in 1985 dollars, a country is predicted to have a .25 unit improvement in the Freedom House general democracy and governance index. High correlation level – robust correlation is the term used in the study.

The most interesting thing is that it takes 10 years for the – for these to have an effect. And the effect takes place after you've stopped the program. Many of our programs and the whole development community have problems of staying ability. These programs show the result – after you stop the program, there's no more funding. And what the (study ?) also showed is continuing improvements after – several years after that. So there's a lag effect.

So one of the problems we have is people in this city – it's an American trait – they want immediate results, quantitated every quarter. That's the way development works. It didn't work in the United States that way. In the early republic, do you think we had quarterly measurements for George Washington and Alexander Hamilton in the first eight years of the republic? Of course not. But it worked in the United States and it worked in the developing world, and this study shows that.

Now, every administration has increased the democracy budget; I'm very proud of that – Republican and Democratic alike. Bill – Brian Atwood doubled spending on this; we doubled it and it's doubled again. Too much of it's just in Afghanistan and Pakistan; I think it needs to be spread out more around the world. But this is evidence that these programs work. And the best aid agency in the world for these programs is AID.

MR. RUNDE: Thank you. Ms. Fore?

HENRIETTA FORE: Thank you. Well, building on these two, when I was administrator, we had a food crisis. And it was mostly about food prices. And by that time, we had lost much of our funding for economic growth, which, in turn, funds agricultural projects and programs.

And so we began developing a program for the administration, for the world, that would be based around smallholder farmers and what they could do to increase their livelihoods. And it is – was an extraordinary time for USAID. We put together this program for food. We were the first country to announce. It was the largest. It was effective. We remembered how to do things. We picked up all of the good ideas that came out of prior administrations. And USAID began to lead in it, began to change the tide on food prices.

We also picked up on the good ideas that had happened before on public-private partnerships. And so we endeavored to triple the number of public-private partnerships that we had. I think it's an area we can still do a great deal on. But it allowed us to put much of our private sector to work in the supply chains of all sorts of problems that you have heard from Peter and Andrew.

We also really began to get traction on education programs in Africa, on the enormous health programs that we had moving on HIV/AIDS, on malaria, and all of these had begun earlier – it's to Andrew's point about long-term development – but they were exceedingly important.

And then we also focused internally on two areas. One is that we would move the center of gravity for our programs to the field, so we began trying to do country-based budgeting, trying

to do it across agencies, that we would base our development programs around the country's development program, so that we would be reinforcing their own desires of how to grow and develop their country. And we started the Development Leadership Initiative, a very important staffing program for foreign service officers, so that there could be more Americans in the field doing these types of work.

And with that came our intellectual leadership. So it became a change in how we looked at ourselves and how other countries looked at us and how our own Congress looked at us, and what we could deliver as results around the world. So it was a results-based approach to development.

MR. RUNDE: Dr. Shah.

RAJIV SHAH: Well, I would just say, when you take a result-based approach to development, as Henrietta mentioned, almost all of the results you have the luxury to discuss really accrue back to your predecessors and the wonderful people at the agency that were there during their time. So I'm not going to introduce – (chuckles) – new results here.

But I want to highlight that when Peter talks about oral rehydration solution, that wasn't just one technical insight; it was a concept that if you could take the power of saving a child's life out of the hands of a medical professional in a hospital and put it in the hands of a mother in a community, you will change your scale from affecting hundreds of thousands of kids to millions and millions and tens of millions of kids. And if you look at the pathway of child mortality across my three predecessors, and if you look across – that one insight, and what that has meant for that entire field of global health, it's just been absolutely transformation.

When Andrew talks about the democratic governance work and the studies that come from it, I'm thinking of what was just in the news a few days ago, where programs that you all put in place, supported and continue on today, helped ensure that Tunisia was able to have an effective election process with more than 90 percent voter turnout, with more than 60 civil society organizations being part of regional networks as a result of USAID programming being relevant and active within weeks of the political transformation there and with more than 70 USAID-supported election observers helping to ensure an international result that, you know, has credibility.

And, you know, I talk a lot about food and health. Everyone here has probably heard me talk a lot about our malaria results and our global food security programs and how important and relevant they are. They both started under Henrietta Fore. And we simply wouldn't have the results that we use today to talk about why this work is so important to the American people if it weren't for the leadership that Henrietta showed in those two specific areas.

And the results are unbelievable. We're now moving 18 million people out of poverty and hunger. And the PMI program has saved more than 220,000 children under the age of five and demonstrated that malaria control is up in the top two or three things we can do globally to save a child's life at a level of cost effectiveness. So nothing new, but it is all connected.

And I think, more so than maybe any other area of public policy, our ability to honor and recognize and take forward the efforts of our predecessors and development is critical to achieving long-term results.

MR. RUNDE: Let's shift gears and talk about sectors, but building on this conversation.

So Mr. McPherson, it's impossible to talk about your time as AID administrator without talking about food security and agriculture. Could you talk a little bit more about – you talked a little bit about the famine, and you also then had a post-administrator life at creating the Partnership to Cut Hunger in Africa, or you were president of Michigan State University, you're a – a known quantity, I think, is probably way to describe it in the food security world and the agriculture world. Can you talk a little bit about – are there – are there takeaways that you have from your time as aid administrator on food security and agriculture and bring it forward to today?

MR. MCPHERSON: One quick comment to follow up on what Raj has said –

MR. RUNDE: Just make sure your microphone is on.

MR. MCPHERSON: – is that we build on who came before us. And AID's leadership and effort on all this has been bipartisan. We have maybe three Republicans up here, but Brian Atwood, I think, is on a film someplace, and –

MR. RUNDE: Yes. He'll – we will be hearing from Brian Atwood shortly, that's right.

MR. MCPHERSON: And in fact, I think Raj the other day, right after I became administrator, I had all the former administrators that were alive together for a big platform, including Irvo Harriman (ph), who had been a predecessor, agency head – that wasn't long before he passed away.

This has been a bipartisan effort. And that's important to keep it that way because these are – these are human issues, not political issues.

As to – as to food security, we had pretty good egg budgets through these. And AID had established, we're clearly the global leader on egg along with the World Bank. But as we dropped back from that effort, so, too, did most of bilateral agencies. Andrew and Henrietta fought hard for these things, but we didn't really get it back to where we wanted by a long way.

I think that President Obama and Raj should particularly be complimented for the Feed the Future. I'm a huge (component ?) of this. Now, the food spike – the food price spike helped propel all this, but the president really grabbed hold of this. And we need to make this work. We need to sustain it.

We've got – for 20 years or more, we have a long-term global trend of prices, world food prices going down. Almost certainly, we're going to have a global trend up. We need to double the production of food between now and 2050. That's not that many years in the scheme of

things. Energy prices are going to go up. Water's going to be more scarce. We've got carbon footprint issues. How are we going to double world food prices – world food production – over these 40-plus years? It's going to be hard. And it's going to take – it's going to take R&D. It's going to take a lot of things. And Raj, thank you for what you're doing.

MR. RUNDE: Ms. Fore, perhaps this is a moment to ask about the issue of how AID can support private enterprise and private sector-led growth, given that if we're going to have to double agricultural productivity, a lot of that's going to come from the private sector. And you've been a leader on private enterprise development for a very long time, so I'd appreciate your views on how AID can contribute to private sector-led growth.

MS. FORE: Thank you. Peter makes a very good point about Feed the Future Initiative. One of the things that strikes you on the food issues is that it is a solvable problem. And the Green Revolution, I think, really began to bring us to that point. And as you look at it, you realize that there is enough food that is grown in the world, if you can just get it to the right place at the right time, and then, of course, at a good price.

And that is one of the challenges of development: It's to address problems that are solvable. And the private sector is enormously helpful and powerful in this because they carry so many skills and technologies and ways to move ideas into reality and get them out to the smallest person in a community.

And that is a powerful partner to have on your side. And in this, the private sector is everyone from for-profit businesses to nonprofit organizations to academic organizations. And in the partnership on the government side, it is local governments as well as the federal government. And so these public-private partnerships, I think, have an enormous opportunity for the future.

When I first came into USAID, I ran the Private Enterprise Bureau. And it was a time in USAID when we were privatizing companies, because they were state-owned enterprises and governments had run out of money. This will sound familiar to you. And as a result, they were divesting. And we were looking for broad-based economic growth, so that everyone could have a stake in their country's economic future.

We also began starting stock markets, and we started partnerships that were addressed for the environment, U.S.-Asia Environmental Partnership and others, that were focused on how partnerships could solve many of the problems of poverty. And it became a quest that let you think about what's in it for Americans and American citizens. And when you are able to bring back economic benefits to home, you realize that this is not only important for the countries, but it's important for us here.

So that the growth in Eastern and Central Europe, the growth that has occurred since that time, 20-some years ago, has brought a great deal of prosperity. And when you look at companies and jobs in America today, so many of them are depending on consumers in the developing world. And it is that economic growth, those public-private partnerships that have been the most important area.

I think it is, back to Andrew's point that he made earlier, it's one of those little-known areas that carried an enormous impact. It's thrifty. You leverage money. And it has great potential at home. It builds peaceful and prosperous societies. So I think the private sector is a natural partner for all government programs.

MR. RUNDE: Thank you. I'm going to come now to Dr. Shah. I have two questions for you, and then I will come to Mr. Natsios to wrap up this round. You came into office, and one of your signatures has been a focus on innovation and science and technology, with the belief – I think shared in this room – that if we can make important changes or achievements in technology or in innovation, that we can solve some of the problems that we face in development.

Could you talk a little bit about that? Could you elaborate on innovation and science and technology for us?

DR. SHAH: Sure. Well, many of the things that you were talking about, and we've all been talking about, have been fundamentally driven by technological innovations that, in many cases, USAID, its partners, its collaborators – particularly in the university community and in the private sector – have helped create.

Whether it's an innovative new agricultural supply chain that reaches tens of thousands of Ethiopian chick farmers to produce highly nutritious foods that can be used in food assistance for kids coming out of Somalia right now and urgently needing them, or whether it's technology like parallel vote tabulation done on mobile phones that both reduces the cost of election tabulation and increases the – improves the credibility of the numbers, those types of insights are taking place in these types of programs all around the world.

What we really wanted to do is just to do a better job of tracking, reporting, and promulgating the most breakthrough innovations that can transform development going forward. And I just believe one of those has been something like mobile banking, where in Haiti right now, you have more than a million mobile banking transactions that have been completed. And we have such a great opportunity – there's a platform that exists in more than 80 countries around the world – to help be someone who shares that knowledge and that insight.

I wanted to say one other thing about Henrietta's point about the private sector. I was reading – last week we had a public-private partnership forum, and we elevated and are expanding the GDA, the Global Development Alliance, that Andrew and Henrietta really championed.

MS. FORE: And that –

DR. SHAH: And that Andrew created.

MS. FORE: Andrew did.

DR. SHAH: And we also are expanding the Development Credit Authority. That has been an incredibly useful tool at getting that kind of leverage and unlocking local capital. As we were preparing for it, I read an article about something we did in Taiwan in the – a long time ago. (Chuckles.) I don't actually know when, but a long time ago.

We were flooding food aid into Taiwan, and during the time, we also made an investment in a local plastics company, a small, local plastics company. It turns out that's a big international company today that employs 2100 Americans, and is expanding its job creation here at home. And it is, again, it's the point I made earlier – that our best results accrue across many generations of leadership at USAID.

But if we make these investments in a smart way, we're doing this work as much for our own benefit as we are for others around the world. And I think Andrew and Peter and Henrietta are living proof of that, in terms of the way you can correlate some of their decision to concrete job creation or security improvements that we, today, get to benefit from.

MR. RUNDE: Let me follow up with one additional sector question. It's about the global health agenda. I think under President Bush and President Obama, there's been a massive increase in health spending. You're the first medical doctor to be AID administrator. And I think, as a result of those investments, there have been significant gains in the health sector.

At the same time, you're beginning to see articles in the press about, perhaps a perception of crowding out of local government spending on health, or perhaps, maybe, a mismatch in some countries, in terms of how we're spending our money. First question is, are we – are we too lopsided in some countries on health? Are we crowding out health?

And I guess the second is, 10 years from now, will we see – sorry, crowding out local government spending on health. And do you imagine the health portfolio – how will it look 10 years from now? How will that evolve?

DR. SHAH: You know, I think, again, health is a good example of where we're doing as much as we can to build on our past successes.

MR. RUNDE: Sure.

DR. SHAH: Peter mentioned oral rehydration. If you think about community health as a strategy that helps bring the cost down of saving lives, you start to create a cheaper, more sustainable model of health that can be expanded in countries. The Bush administration just did miraculous things in raising the resources for global health.

We've been fighting hard to maintain that and fighting hard to make sure that we get more and more synergies across the kinds of programs, whether it's PEPFAR and PMI or the maternal and child health programs that existed previously. And I think we're seeing those things come together and allow us to get more results for the same amount of spending, which is where we need to be able to demonstrate that to the American public over and over again today.

MR. RUNDE: OK. Mr. Natsios, you recently wrote a paper about the rise of the counter-bureaucracy that, I think, many of you in this audience have read. Certainly, the folks watching this on live stream, I'm sure, have read. I think of samizdat press in the Soviet Union, where it's sort of secretive printing and reading of documents.

This has been, sort of, a bestseller at the World Bank. Other, various people have read this all over the world in the development community. I think, if you could talk, Mr. Natsios, a little bit about how have we gotten to this place of a high level of oversight, and where do we go from here?

MR. NATSIOS: Well, we need oversight. There's no – the question is the level of it and the amount of it. No one is regulating the regulators. There are 10 oversight committees in the United States Congress that oversee AID. They don't even talk to each other. They fight with each other. They used to tell us to do contradictory things.

I said, wait a second. If I do this, I'm going to have my head cut off on the other committee. Do you talk to them? We don't talk to them. Are you kidding? You do this, or else. And then the other committee tells you to do the exact opposite. Then we have, on the executive side, we have OMB. We have the GAO – the GAO is an arm of Congress, but it's a separate arm of Congress.

We have the inspector general's office. Then we have the inspector general for Iraqi reconstruction and then the inspector general for Afghan reconstruction. I don't quite know why you have to have an inspector general for everything, and another inspector general for Iraq and another. Why, on the – layer upon layer.

Then the F Office was created in State, with 1400 measurable indicators of performance for everything. The question is this: No one studied the question of the impact of layer upon layer upon layer – one, upon the amount of time that AID officers – in fact, this is, by the way, a problem across the whole federal government. No one has asked the question, what's the cost of this? How much time are we spending complying with the demands of the regulators instead of getting the programs running?

By the way, most of this stuff has to do with the implementation of federal acquisition regulations, 2,000 pages. The only thing worse than the IRS regulations are the FARs. I know procurement officers may like the FARs, but if you're a third world country and you want to bid on something, 2,000 pages of – you can't even read them in English, let alone in the language of another country.

You have the Foreign Assistance Act, which is 450 pages long. Then you have the Government Accountability Act that requires all of these levels of program accountability. The effect of this is to depress innovation. Anybody does anything that fails – their career is over. Well, what's the message to career people? Don't experiment, don't innovate. If you do, the counter-bureaucracy will destroy you.

The most dysfunctional thing that the – for a development agency that this system does is the disbursement rates. When we started in Afghanistan, we used to have a meeting with DOD and State every week on how fast we were disbursing funds. I said – I won't tell you who the senior officer was. He's still in AID; I don't want to embarrass him. We would go to the meeting we'd start yelling at people: Are you an idiot? We're in a war zone and you want – you want us to disburse the money faster and faster. Well, it's counterproductive to distribute it. It means you're not talking to the people, you're not getting local ownership, you're not getting local buy-in, you're not – you are not building capacity because the money has to be disbursed immediately.

The whole system, by the way, has forced Brian Atwood, in the 1990s, to create a system of NGOs, contractors, and universities that are the principal implementors, because when we went through governments for 40 years in AID – you know, budget support is not new; we did it for 40 years. That was the principal mechanism, post-country procurement.

Why didn't it work? Well, because the Congress and the regulators said, we want the money disbursed immediately, we want every dollar accounted for, we want no corruption in the system and we want measurable results for everything. Do you think that Burundi or the Congo or Haiti or Peru is going to produce this kind of measurement and these kind of levels of accountability? We can't even do it in domestic agencies in the United States. If we can't do it domestically in the United States, why are we demanding developing countries do this stuff?

The cost is enormous, by the way. People ask why the overhead rates are so high.

MR. RUNDE: That's a very good question, Andrew. (Laughter.)

MR. NATSIOS: The overhead rates are high because of this regulatory structure.

MR. RUNDE: Andrew, perhaps you could – you have – you've proposed – (inaudible) –

MR. SHAH: How do you really feel, Andrew? That's – (inaudible). (Laughter, applause.)

MR. NATSIOS: I don't want to give anybody the impression that I have opinions. (Chuckles.)

MR. RUNDE: Andrew, but you have a suggested way for us to get out of this.

MR. NATSIOS: Yeah, I do have a suggestion. (Laughter.) And I suggest this, OK? Some people – (inaudible) – oh, we could never do away with this overburdened system. Let's try an experiment. Five years, five missions. And this is a conservative idea; the conservative movement (in the United States ?) came up with the idea of charter schools, which did exactly the same thing: We got rid of all the education rules and the unions and all that stuff. We have charter schools across the country now. Why are they proliferating? Because they're working, OK?

Why don't we have charter missions? Five charter missions for five years. We establish baseline – no earmarks from Congress, the mission director makes all the decisions, no interference by the State Department, OMB – you can see how much money you're sending in, obviously. You establish baselines in the area that you want to do the work in. No reporting for five years. At the end of the five years, you do what is called an impact evaluation. No measurable indicators; go ask the people you're supposed to help whether, after five years, there's been an improvement in the area you're working in.

Peter used to do very good measurable indicators – not measurable indicators, though; impact evaluations through CDIE. I don't why we abolished them, actually; there were – they were the gold plate. I was told, at the CDIE – I mean, the OECD in Paris, they said, CDIE was the best evaluation in the entire development community, and you don't have it anymore? I said, oh, I don't know what happened, but it's gone. (Laughter.)

So we – (inaudible).

MS. LORE: Raj has some – has some now.

MR. NATSIOS: Let me just finish with this idea, OK? (Laughter.) Five missions and we just simply measure the end of the program. Highly decentralize and see what happens. The World Bank did this not all – because the World Bank is the only aid agency over-regulated more than AID is. (Laughter.) You know what they found? There was no deterioration in accountability in the World Bank when they finished this experiment, OK? And there was an improvement in the quality of the program. People think this infrastructure is improving. It's not improving the program.

It's a burden for all the partner organizations, for the host country it's a burden. People – no one understands why the system exists the way it is. And none of these regulators are talking to each other so that they're not – we had three audits, simultaneously, by three different federal agencies of our capacity building in Iraq. Why do you need three program – three audits of the same thing, in the same country, at the same time? What's the rationale for that?

MR. RUNDE: OK. Andrew, thank you for that. (Laughter.) The – I think, we need to shift gears. And I'll get – (laughter) – but I think the – we want – I want to turn to the world outside the Ronald Reagan Building, because I think we'll have a chance to come back to some of the issues –

MR. NATSIOS: How about outside Washington?

MR. RUNDE: Or how about outside Washington, even, exactly. I think – but first – and that's an appropriate way to segue into our video message from Brian Atwood. Brian Atwood couldn't be with us today. He really wanted to be with us. We have a longer video clip of his – of an interview that we did with him on our website, at csis.org. We're going to play a three-minute clip. We asked him four questions. The one I've selected here is the following, and then I'm going to restate it for the group because I think it's – it'll make very interesting television, I suspect.

The question is about – as many of you know, Brian Atwood is now, in essence – he’s the chair of the Development Assistance Committee at the OECD, in addition to having been a former AID administrator. Being chair of the Development Assistance Committee is like being commissioner of Major League Baseball of international development. And so it’s an important – very important role. And every four years they do peer reviews of foreign assistance programs and AID – the U.S. government just had its peer review.

And one of the findings, not surprisingly, is there’s a large proliferation of agencies that do development work. And so I asked the question to Brian Atwood, well, how do we – how do we respond to the fact that there are over 20 agencies working on international development in the U.S. system? And this is his answer.

(Video begins.)

MR. ATWOOD: Let me start by saying that I’m sorry that I can’t be with all of you today, especially my colleagues, the former administrators and Raj Shah, the current administrator. These are all good friends, and I think we have a lot in common.

Well, this is a major challenge for the United States. It’s a major challenge for development in the world, generally. It’s the challenge of fragmentation. It’s the challenge of not being able to respond to country ownership when that capacity exists. When a country puts together a strategy, we should be responsive to that by aligning our resources with that strategy and helping to measure results right there at the country level. This becomes very difficult for the United States, given the number of agencies and departments that are engaged in development work. We’ve got to fix this.

Now, I really respect the work that has been done, both at the White House and the State Department, in trying to bring other departments and agencies into a more coordinated program. But I really think we should go back to the day Peter McPherson remembers well, when you couldn’t spend money overseas on development unless USAID signed off on it. Today, USAID spends only about half the resources that are made available for development work overseas.

That’s where the expertise lies. That’s where, I think, the coordination point should be. There’s some other very good programs. Our peer review cited the Millennium Challenge Corporation as being an ideal program because it responds to country ownership. I commend Gayle Smith and the White House team that tries to coordinate these things under the presidential review memorandum.

And I think that the real premium has to be on coordination at the country level. That means the country team has to work very closely together, but that means, it seems to me, that USAID missions need to take the lead, working with other departments to make sure that we are aligning our resources and our strategies with the country’s strategies.

Let me start by saying that I’m sorry that I can’t –

(End video.)

MR. RUNDE: (Inaudible) – stop that. Sorry about that. The that's a – so let me ask how folks really feel about this. And I think – let me ask – so there's been a – the good news is that development has risen on the agenda here in Washington. The bad news is, perhaps, for AID that, I don't know, 20 agencies up from four, when we put together the Foreign Assistance Act in 1961, have gotten into the development business. So I guess the question is how do you coordinate that? So why don't I start first with Mr. McPherson and then we'll – I'll ask folks to respond. Mr. McPherson?

MR. MCPHERSON: You can't reverse the involvement of all the departments and the agencies, in my view. It's come about because every agency and department has international answers in ways they didn't in 1960 or even 1980. So it's not going to change their involvement. The question is, how can you pull together so coherence in this?

Now, Andrew and Brian and I wrote an article for foreign affairs that came out just before the new administration took office, in which we suggested there might be something co-chaired by the AID administration and by a senior person at the National Security Council that would be a forum to bring issues such as various White Houses' have had forums for international – for economic policy.

I still think a structure like that is reasonable. I think the whole-of-government effort – that, Raj, you and I have been talking about so much – with Feed the Future, that's a – using OSTP and other means – that's a practical option to begin to pull together this and help some major sectors. I think we have to start with the idea, though, that we can't go back to 1980 on this. It's just –

MR. RUNDE: Or 1961.

MR. MCPHERSON: Or 1961. The world is too changed. A bigger issue we should probably talk about, is what do you do with coordination with the DOD. And that's a whole separate set of questions.

MR. RUNDE: Yeah. So let me ask, Ms. Fore to answer that question. How do – how do we – do we put the genie back in the bottle? Do we get our – do we get our – do we get our bat and ball back anytime soon? What's – how do we – how do – what is – what is AID – what happens to AID in this system?

MS. FORE: Well, I'm with Peter that you can't put the genie back in the bottle. There are more than 30 agencies that are working out overseas. But when I was administration, I carried a second hat – that of the director of foreign assistance. And I am absolutely sympathetic with Andrew's point that what has happened is it's an unwieldy structure. So I would go deeper than Peter. I would try to cut and streamline how we operate. It is very difficult to operate, and we are not getting the best of our system.

Raj has begun to make some major improvements on procurement, but maybe, Dan, it's time for CSIS, with Hill members and with administration and others – there's some great minds in the room here and in the USAID building, to really rethink this – a sort of blue-ribbon commission that really gets to major change, so that we as America can gather all of our programs.

When you are visiting a country they are bemused, confused, by all of the agencies that are operating in their country from just the U.S. government. And then you add all of the other development agencies in the country that are from other country governments. And then you add in all of our partners in business and private organizations. And it is overwhelming for a country to organize, corral, focus them on their development program. So to achieve what Brian is talking about, I think we need a much deeper, cleaner approach, and we need to do it as soon as possible.

MR. RUNDE: Dr. Shah, I'm going to give you the next word on this, please.

MR. SHAH: Well, you know, I think that – I agree with all of these insights. And I would highlight three things that I think we can do, that we're trying to do aggressively, and seek everybody's partnership. I see some of our important partners from the Hill and our partner community here as well and other agencies.

The first is inclusive leadership. You know, I – we want – we don't want to put genies back in the bottle. In fact, we want more genies out of the bottle. We want the military community, the corporate community, the faith-based community: any institution in this country that has value to offer to achieving development results on the ground – we want you engaged, we want you engaged actively, and we want to welcome that engagement.

And that is a mindset that we need to have in order to be successful in a much more diverse and much more decentralized development environment. Keep in mind, every industry on the planet is more diverse and decentralized as billions of people kind of enter a more global workforce. The second is we need better processes that do all of the things you've heard today. So we need to reintroduce that concept of being the world's best evaluation agency – bar none.

And I actually believe we have the best policy. I think it's been validated by independent third parties. And I think you'll see in just the course of the next year what you've already seen which is hundreds of high-quality evaluations come out of the woodwork, meet a set of standards, and represent a knowledge base that's accessible and transformational in terms of the sheer amount of learning, experimentation and insight from it.

I think we need a procurement system that is light and fast and that moves a significant percentage of our resources from high-cost mechanisms to low-cost, more sustainable mechanisms. And we need to introduce the capacity to do it. We've – we're moving heavily in that direction – but in a – in a responsible way. And it's – the days of doing blank checks for governments – over; the days of doing blank checks for contractors, also over. The days of doing blank checks for anybody – even NGO partners – anyone, no matter how great they are,

nobody gets a blank check anymore. That just is the reality. And we need to have light, effective ways of not doing blank checks and being – doing results-oriented development.

We will, by the end of next year, have 30-some missions on the way to having every mission having a five-year country development cooperation strategy. That strategy needs to be inclusive of what MCC is going in that country, what the Peace Corps is doing in that country, what anybody who is trying to achieve development results is contributing. And I want to highlight Ghana and Tanzania in their Feed the Future programs that are setting the tone for how that needs to happen. But we can – we can do all of this. We can get it all done within the next year, at a level of sophistication and visibility so that we're seen as living up to inclusive leadership and really using our expertise to drive strategy for a range of partners.

And then the final point I'd make is real innovation. You know, we're not the only people that don't do country coordination well. (Chuckles.) You know, if you've ever been to a country-coordination meeting on anything, you know, they're basically characterized by having usually the wrong people at the table – because the people out in the field are not there, they're out in the field doing work. They tend to be a little boring – (chuckles) – I don't know if you guys have experienced that, but – you know, they're just tough to sit through.

And they tend not to work, at the end of the day, to drive real coordination. The truth is today we have the ability to spatially visualize where all development activities are, and we can build – and we are in the process of building – a sales force dot-com based cloud system that will essentially map all USAID programs and projects. Once we have that – and any American, anyone around the world can go to Google Maps and flip through and see where our things are – people are going to rush to be on that system.

And those kinds of new tools that change the way we think about how we achieve results are going to overpower, I think, the – you know, the sort of bureaucratic questions of who's on what committee and how do we do that coordination.

MR. RUNDE: Ms. Fore.

MS. FORE: Could I add something to what Raj is saying – all of which is very important. But there's one other change that technology has brought, which is it put the power in the hands of the people who are in the developing world, which means that if you can access the information on websites, you can do your own development. This is the idea of giving a person a fishing pole so that they can feed themselves for a lifetime. But it's a change in the ability of development to be done. And it starts with the person in the developing country – in the field.

MR. RUNDE: Thank you. Mr. Natsios, with your – with your permission, I'm going to – I'm going to go to the next round of questions, and I'll come back to you on – if that's OK?

MR. NATSIOS: Sure.

MR. RUNDE: Thank you. OK. So let me – let me – I want to – I want to talk about delivery – business model delivery. I think Mr. Natsios has touched on it, about the issue of

budget support, and about how we've moved away from budget support, I think, for a number of reasons about responsiveness, about the perception of possible increased corruption. We moved to model, for a number of different reasons, including operating expenses being cut, of working through a much larger architecture of implementation partners – many of whom are in the room.

There's been some increased criticism about the current architecture over the last year or two, some of it coming directly from the administration. There's been sort of an interesting debate among the architecture of implementation community, some perceiving this as sort of unfair, gratuitous contractor bashing, others saying that – some folks saying, well, as long as they get to keep their earmark it's OK and it – you know, and so I think there's a – so I think there's been a variety of responses to some of the criticism.

At the same time, I think there's been a perception that the current model allows us to have higher degree of responsiveness, or maybe some perceived ability to protect ourselves from the charges of corruption, which is – I think, is something that's deadly for the development community. So I'm going to start with – I'm going to start with Mr. McPherson about the issue of what kind of a architecture of implementation should we have for the future, perhaps is a way to put it. What kind of an architecture implementation of the future should we have, Mr. McPherson?

MR. MCPHERSON: We should have smaller contracts.

MR. RUNDE: Turn on your microphone.

MR. MCPHERSON: We should have smaller contracts. We – the idea of a contractor having a half-a-billion dollars or more pipeline is – what that – it's not – these are – these are good people. And they're, in many cases, our good friends that we've worked with. So it's not whether they're good or bad people. The question is who has responsibility for economic development policy? When the contractor is too large, it's – you essentially have delegated out development policy. And that's what happened in many cases.

So I think the effort to make the contracts smaller, more responsive, is good, but – is important. But behind that requires an agency with more technically qualified people, which is a lot – that's why we moved to these big contracts, is we didn't have the people to do it directly. So we've got to build that. The administration is working hard at that. And we've got to also figure out how to have the whole system work better and easier.

I mean, there are lots of reasons that we did this. And we have – we got to solve these underlying reasons for why we got such big contractors, instead of just saying: We're not going to have big contractors.

MR. RUNDE: And we'll come back to NGOs and possibly the – the possibility of earmarks when we talk about our relationship with Congress in a little bit. And so I want to come back to you about this – yeah?

MR. NATSIOS: Well, let me just add something here to this comment, Peter. There's another factor here which is not discussed almost at all. OMB and the congressional oversight committees, and the inspector general, bash AID for, going back 20 years, for not having sufficient span of control over the number of units they manage. So I kept asking, where are you getting this stuff, in the career service, because I said we need to have – I said exactly what you said.

They said, we can't do that, Andrew. The regulators are telling us we have too many units that we're supposed to manage per person. You can't have 50 units that each one officer manages, according to the oversight agencies. We can say all we want, we want smaller contracts. But unless you change the incentive structure and the orders from the regulators, you simply can't do it. The same people who are bashing AID in – among the regulators for having too-big contracts, are the very one who are not giving us the staff necessary to manage a much larger number of smaller units.

MR. MCPHERSON: Well, you got to have enough operating expense money to be able to do that too.

MR. NATSIOS: Exactly, exactly.

MR. MCPHERSON: It's an integrated problem, is the real point. The thing now doesn't work the way it should –

MR. SHAH: So – but – I will say that Henrietta put in place the beginnings of the solution. And I think that's the DLI. And I don't know if you want to speak to what it took or – no, I wasn't there. So you should tell us, how did you make that happen?

MS. FORE: It was a pretty heavy lift.

MR. SHAH: Because I need to take notes.

MR. RUNDE: Ms. Fore, why don't you share a little bit about how we got the DLI started, because I do think that's certainly a part of it is, is how do we – but I also think I'd ask you also to talk about, what does an architecture of implementation look like the in the future? What should it look like?

MS. FORE: Good. That's just where I want to go.

MR. RUNDE: Yeah.

MS. FORE: So the Development Leadership Initiative – we looked at this problem that both Peter and Andrew have been so articulate about. And we knew that we didn't have enough officers – either civil service or foreign service, and – both officers who are foreign service nationals in the field, as well as foreign service officers. And we talked to both Houses of Congress and both sides of the aisle. And we also talked within our own administration, which is sometimes the toughest critic, for how you can get your operating expenses and money.

And we were able to gather a bipartisan effort, the importance of USAID in staffing, how we would use the people, made strong cases. USAID is an extraordinary agency in that it delivers real benefits at low cost. And many people don't know that in America. And so part of it is an education, but part of it is putting together great programs. And so we managed to turn around our staffing. It changed how we began to look at our workload. I think everyone began to do a better quality of work, because they could see that people were listening and they were getting help. And it made a difference. And I think it can be done again.

Where I wanted to go was, Peter and Andrew are both talking about a procurement system. But if you really think that the future lies with the public-private partnerships – I mean, we didn't eradicate polio through just U.S. government funding. We had Rotary International by our side as a partner. We didn't do the Green Revolution just with U.S. government funding. We had extraordinary expertise out of our private sector. So that if you think of it as a public-private partnership, you want to change these systems into ones that allow you to design from the beginning public-private partnerships that start carrying America's interest.

And so, to me, there's another side that's very forward looking. And it's, what should these look like in the future? And Raj is really started upon that. We picked up good ideas out of Peter and Andrew's time, and it's all moved along. But that is also a future that's going to be very important. It is not just the U.S. government telling people how development should be done in the field. Those days are gone.

MR. RUNDE: Yeah. Dr. Shah.

MR. SHAH: Well, you've heard – you've heard the answers. I agree. You know, smaller, more responsive, more result oriented, cheaper and more sustainable delivery systems that are more accountable to the people they're serving and that we can evaluate with rigor – with the rigor that this agency created and introduced for this entire field. That's number one. And we're going to – you know, as number two is take ahold of the things.

You know, Andrew already created the charter school for the future of development. It's the Global Development Alliance. And, you know, it's – it can be light, it can fast. What amazed me, as I looked and learned about the statistics, is how – is the variability across missions and it's application, and just how siloed it had been as a – as a relatively small but totally transformational tool.

The same is true of the Development Credit Authority. Both of – on all three of those small, responsive delivery mechanisms, the GDA and the DCA, we're going to have every single one of our mission directors come to town in two weeks with very clear, quantitative targets for how they're making those types of mechanisms the absolute standard for how we work going forward, at the mission level, using existing mission resources and obligations.

When we get through that process, it'll take three years because these are 2015 targets, the agency you will see on the other end of that will, I think, be the model of what then the – and with all due respect – the DFIDs and the others of the world will say, how did they do that?

We're going to want to get there. And they're not going to realize, we had a 10-year head-start because DCA is not – and, you know, we have a lot of experience with it. So it's very exciting. And there's a lot that we can do in the context of using what excellence exists within the system and making it the central way that we're working all around the world.

MR. RUNDE: Mr. Natsios, the issue of – what kind of an architecture of implementation does AID need for the future?

MR. NATSIOS: Well, I always find the debate about this architecture interesting, because development theory – virtually all of it – if you have Jeffrey Sachs saying the same thing Bill Easterly says, you have to pay attention – (laughter) – because they don't like each other; they don't agree with each other. Both of them say these decisions on architecture should be made in the country, not in Washington.

Saying that we should have 50 percent contracts or 20 percent judges [01:04:43](ph) support in Washington doesn't make any sense to me. The mission director should be deciding themselves, and that should form what the percentages are, because each country is different. We – there's been a lot of studies done by – at the different models of development that South Korea used versus Taiwan versus Chile versus Costa Rica versus Botswana.

They're all different. If you try to create standardized architectures, which is what Washington is telling AID to do now, what you're going to do is basically create cookie-cutter programs that will not respond to the unique development path that different countries have chosen. I'll just give you one example of this.

During the Cold War we had the most intrusive aid program we've ever had anywhere in the world in South Korea. It's not widely known. They've now declassified CIA cables – not AID cables or State Department – CIA cables. Michael Pillsbury has written a book, Brian Atwood commissioned it; it's taken a long time to write it. (Laughter.) Getting this stuff declassified is fascinating.

The South Korean miracle was not the World Bank, OK? It was USAID. The USAID mission director sat in the cabinet meetings, was extremely directive and intrusive; he was almost a dictator. President Park said: If you send any more AID economists to this I'm going to shoot them. (Laughter.) OK. It's in one of the CIA cables. However, if you look at the decisions they made, they were the right decisions.

It's the 13<sup>th</sup> largest economy in the world. It's a functioning parliamentary democracy. It's one of our closest allies in the world. If you look back to see our role, it was very powerful. That would not work in some other countries. It worked very well because South Korea faced an imminent threat from China and from North Korea. And they were willing to make profound changes that threatened elite interests in South – because the threat was – external threat was so substantial.

You wouldn't do that in Botswana. I mean, I wouldn't do it – or Ghana. But it worked in the circumstances. That's when the mission directors had a lot of discretion and a lot of

power. And they were powerful figures. They're still powerful figures, all over the world. We don't realize the effect of our mission directors on America's image in these developing countries. When they took a poll among the biggest news magazine in Ukraine, and they said: Who are the hundred most influential people in the Ukraine?

I went in and I saw – I said the AID mission director is here. The only foreign on the list was the AID mission director. And we didn't have a huge program –

MR. RUNDE: What did the ambassador think about that?

MR. NATSIOS: Well, I mean, there were a little problems. (Laughter.) I was in a country in Africa, and the head of state – who I've known for many years – said, what does Sister – I don't want to say the person's name, because you'll know who it is immediately – think of this? I said, sister?

So I went and said, is the mission director a nun? What's this sister business. (Laughter.) Said, well, the president calls anybody who's part of his movement sister or brother. I said, are we part of his movement? (Laughter.) He said, he calls the mission director all the time. Is this cabinet mission correct? Are they competent? Should I promote this person or not? Is this a good initiative? I need help on this.

King Abdullah, in Jordan, overtly says: Whenever I have an issue of domestic development, I call the AID mission director immediately in, and I tell him what I want them to do. Actually, that's the kind of the development program you want, where the head of state is telling us what he wants us or – here, what she wants us to do. And if you look at the effect of AID in Jordan it's very powerful.

You don't hear president – King Abdullah bashing AID contractors or NGOs. He talks of them in glowing terms. The countries that bash us the most, are Zimbabwe – (chuckles) – Robert Mugabe bashes us all the time. He beats up our FSNs. Well, that's a sign of honor. (Laughter.)

MR. RUNDE: Andrew, let me – let me stop you there. (Laughter.) We need to shift gears. I want to – I want to make sure that we get to some questions. But I want to press on two more questions for this panel and then we'll open it up. There's a lot of thoughtful people in the audience. I think we have to talk about the relationship with Congress. I think that – over time, I think the perception in Washington is that the Congress has hamstrung AID with any number of different earmarks that – and some – there's some perception that perhaps various interest groups go up to the Hill and ask for an earmark. And perhaps, maybe, it's not the Congress' job to dictate how much money should go to vitamin A, for example. I'm not sure, maybe that would be something that technical experts might want to make – take that decision, for example.

So could we just talk a little bit about the how we got to this place? Is this – is the kind of relationship we want to have with the Congress? And what does a – what does a more functional relationship with the Congress look like? I'll start with Mr. McPherson.

MR. MCPHERSON: Well, this is a lot worse than it was 25 years ago.

MR. : Oh, absolutely.

MR. MCPHERSON: Because –

MR. RUNDE: Is your microphone –

MR. MCPHERSON: Yeah, it's on now. It's a lot worse than 25 years ago, because as money got tighter, virtually everybody felt in order to protect themselves, I'm talking about outside groups, they had to fight for their own money. Ag, for example, didn't have an earmark for a number of years, and it became the pot that everybody dipped into to round up their number. That's why the – (inaudible) – now have an earmark, in effect.

So I do think that this country-based idea is important to deal with the earmarks. I would like to have something explicit in the act that says that what – that there's a rebuttable presumption that what a country prefers to be their mix of assistance is what it will be. Rebuttable because sometimes a government, for this and that reason – it's really the MCC concept, and I don't think it should just be MCC.

I think that concept can be broader because the people – those Appropriation Committee chairs, they're good people and they're interested in what countries think. We find in the Partnership to End Poverty in Africa the most effective advocates are Africans. Much more effective than us here is the Africans. So country-based efforts is the only way that I think has a chance to deal with earmarks, but it has to be more than just a nice statement. It has to be a presumption, a rebuttable presumption some place in law. And people will thereby allow countries to have a seat at the table, which they currently don't usually.

MR. RUNDE: Let me push you on one, and then I want to get to Ms. Fore and then Dr. Shah on this. But you were around for the 1986 adjustment to the 1961 Foreign Assistance Act. Can you just share a little bit about how that happened and what lessons we might take from that?

MR. MCPHERSON: Well, we got some changes in there. I think it'd be good to get a new Foreign Assistance Act, but I don't think it's a panacea. I don't – I think that we'll just fight over the same territory and much will be – I think you need to have a few key concepts, like this rebuttable presumption thing that I talked about. There are some contract processing things that should be there.

MR. RUNDE: Great. Ms. Fore, could you talk a little bit about our relationship with the Congress?

MS. FORE: The only reason that DLI was ever done is because of bipartisan support, so with Nita Lowey across the aisle in the House, it made an enormous difference. But you could see that all of our programs had to be bipartisan, so that Senator Leahy and Senator Lugar helped us immensely. Across the aisle is very important.

So how do you get there? When you put the earmarks on top of each other – and there are some very knowledgeable people here who know this well – the hard and the soft earmarks mean that it's greater than the budget that we have. And when you add in the mortgages, it means that when a president wants to make a change and wants to help – let's say after the Arab awakening – you don't have money that you can move.

And so as this system, it is either money that is too late, it's too early, it's not coming when it's needed, how it's needed. The type of money is not there when you need it and where you need it. So this whole system is one of – just as Peter said, it's that people feel left out and so there are earmarks. But if you could pull off the earmarks and instead state your objectives, what you want to accomplish around the country-based program, something that's good for the United States and good for the country, you could accomplish this.

When you look at the other agencies that have sprung up with models, so there's an MCC model and there's an OGAC model and there's a USAID model and a TDA and a(n) Ex-Im and an OPIC, there are many best practices here. And if you do an assistance rewrite, I would look at the best practices, gather them, coordinate them, and put them together so that America is moving in one streamlined fashion.

And you can build on all of Rajiv's good work, but it's a deeper issue and it is one in which, if you think about it as partnership, I think you can get it done, but earmarks are not as helpful as they could be.

MR. : I don't think you're going to get massive change here, but I think you could do some things that could have an impact. I mean, what if we had 10, 15 percent leeway on the earmarks? What if you had, as was argued, some countries for which – we had an Africa account for a few years that President Reagan personally approved. I remember the meeting where we fought for and got it, where we had major discretion. Go at this in some pieces. Plug in a country-driven presumption and you'll make some progress.

MR. RUNDE: Let me just –

MR. NATSIOS: Let me just add one thing to this. This is partially a function of the structure of the American political system. In 1950 there were two dozen organized interest groups in Washington. There are 16,000 now. The political parties have declined in power and in importance in the American political system and their place has been taken by interest groups. The British do not have 16,000 interest groups in London. They have two very – three very powerful parties that aggregate voter interests.

Congress is reacting to the dysfunctions of the American political system. It's another subject. It's not just affecting AID. It's affecting the whole federal system. Every federal department is over-regulated. All of them have too many earmarks. There's too much micromanagement. There's too much – the oversight is irrational at this point. The federal government basically is paralyzed half the time.

By the way, the states aren't run like this. I was secretary of administration and finance in Boston under Governor Cellucci 12 years ago. We didn't have to put up with this in Boston. The state is much better – the states are much better run than the federal government.

So we can't solve this problem with a little agency like AID. They're going to have to deal with this – and that's going to take a major crisis. Maybe the crisis we're in will lead to a rationalization of the Congress. Having us report in AID – us, the development – to 10 different committees is crazy. It doesn't make any sense.

MR. RUNDE: Mr. Natsios, let me stop you there and just add – I'm going to ask Dr. Shah and Mr. Natsios' question and then we're going to open it up. I want to talk about the evolving relationship with the U.S. military. So Mr. Natsios, if you would just talk a little, very briefly about how the relationship has evolved. I spend a lot of time talking to folks here in the building, outside of the building about, OK, where should – how do we balance security and development? Should the military be doing development? Should we have a strong State Department function? Should AID do this?

You know, I think you're very familiar with the arguments here, and I'll start with you, Mr. Natsios, and then I'll let Dr. Shah follow.

MR. NATSIOS: One of the things I did was to – the last things I did as AID administrator before I left to go to teach at Georgetown was to create the office of military affairs. There was resistance in State, a lot of resistance to us doing that. That's why it took us four years to do it.

I think it's a very good idea. We hired Tom Balthazar (ph). I think you brought back, career colonel, very, very able man, to be the head of – the first head of that office. I had four-star generals from the regional combatant commands constantly coming in, saying, Andrew, would you put people on our staff from your agency? We don't know how to deal with these issues. We don't want to deal with them.

Don Rumsfeld created an order which put development and stabilization in the mission of the whole U.S. military. There was enormous resistance to it. If you read the military journals, they don't want to do this. Military intellectuals say, the more we do that, the less able we're going to be able to defend the country and fight wars. That is not what we do. We want AID to do this.

Well, you can't do it unless you put the people – senior officers. I don't mean junior officers – senior officers will be in the regional combatant commands. And I was a lieutenant colonel in the Reserves. I was a civil affairs officer. I know how the U.S. military operates. It's very important that the three D's understand how each other operate. So I think it was a very important thing, and Rajiv, you put emphasis on that and I think it was very, very important. Through Democratic and Republican administrations we do it.

I would add that the U.S. military is our best advocate. Secretaries of State always want aid programs. But to have four-star generals and the secretary of Defense call up chairmen – and Bob Gates called up the chairmen of committees that had cut our budget in AID and he said, what are you doing? The committee chairmen would say, why do you care? He said, because

we don't want to do this stuff and we want AID doing it, and we can't do it if they don't have a budget and you just cut it.

MR. RUNDE: Dr. Shah, what do you think about the civ-mil relationship?

MR. SHAH: Well, you know, first, I think – and Secretary Gates said it best I think when he said it's cheaper to do development than to send soldiers, and he and his successor, Secretary Panetta, have been very loud and important advocates for our portfolio of work.

I do think we've had to rebuild the capacity to be good partners, and we've learned a lot if Iraq and Afghanistan about how to be a better partner in an active conflict. That's a different question than how to be a better partner in, say, the Horn of Africa, where often it's less aid and the humanitarian community that's on the front line of understanding issues of food and water and security, migration patterns and what that can mean for our medium-term security outlook in that context.

And it's a different question than the way we're working in Central America to deal with internal crime and conflict related to drug cartels and drug issues. So we have to demonstrate that we can be an effective national security partner across a broad range of different contexts and opportunities and it's not just in active war zones.

I also think as our agency rebuilds many of the capabilities – like our budget office, our policy planning capacity, you know, we can do more of building the kind of flexibility. Not eradicating the earmarks but it's notable that CERP (ph) doesn't have any of those types of earmarks or restrictions whatsoever, and we can model that a little bit more effectively now that we have certain capabilities again back at USAID.

On the policy side, I think there's a huge amount of opportunity for us to really be thoughtful leaders about what are the underlying security challenges that will emanate from water issues in Yemen, or how should we be really thinking about long-term food issues in the Horn of Africa and what does that mean for our security outlook, and we're not playing that role in a policy capacity as much as we could and should, so we've been trying to re-invest in our capacities there.

MR. : OK, we're going to have to take a round of questions World Bank-style as opposed to USAID-style, which is we will capture three questions and give the – we'll ask folks to take each of these. And so we have one microphone. I need to see all the hands. Let's see here. OK, I'm going to call on the gentleman in the back, Mr. Gyoso (ph). I'm then going to call on this gentleman here, and then I'm going to call on that gentleman, and then we're going to call on this woman here. So that's four. And they're going to be brief. You're going to introduce yourself and it's going to be a brief question, right? Thank you.

Q: That's difficult for me. Well, I am a refugee from USAID; 25 years I had the honor of serving there and now I'm helping in the DLI recruitment process. Two things. Michael Gerson recently coined a phrase that I think that we need to remember, based on what you talk about poverty planning. Poverty planning is pro-life, and that is a message that has to be continuously projected by USAID.

Second, during the last Republican debate, every single candidate, including Romney, talked very negatively about AID, some of them asking for abolition of the whole program and the agency. Would it be a good idea if all of you would sign an Op-Ed piece for the Post and the Times, defending AID with numbers?

MR. : The gentleman next to you.

Q: Thank you. I'm Ed Barber from –

MR. : We can't hear the questions very well, so speak up.

Q: OK. Ed Barber from Good Works International, and before that 40-odd years with State and Treasury Departments, working with a lot of first-class AID people, including at the end your chief economist, Steve Radlett (sp). My question builds on that one. The popular image of AID and its programs is an agency that's throwing pots of money at corrupt foreign governments.

The thread that I see in all of this discussion today is, if I could put it crudely, technical assistance. You are teaching the recipient governments, educating recipient countries on how to run a 21st century economy and polity. That, it seems to me, is the – whether that is agriculture, public health or in the Treasury budget management and so on that I saw.

My question to you is in the form of a comment. Is this a way to go in an atmosphere of increasingly constrained budgets? The issue is assistance in how to operate, rather than money – transferring money. Thanks.

MR. : Thank you. The woman over here. And I recognize the gentleman over here.

Q: Good morning, ladies and gentlemen. My name is Rosemary Seguerra (ph). I'm the president of Hope for Tomorrow. I want to thank the United States and especially the USAID for their wonderful support. They have supported Africa for so many years. I knew USAID when I was seven years. We used to get milk out at – (inaudible) – from a nearby Catholic – (inaudible) – so I have known USAID since I was seven years. I come from Kenya.

What I wanted to ask was, thank you very much for your wonderful presentation. Looking at Africa, I come from Kenya – (inaudible), Africa is the richest country in the world, with greatest resources. With the support of the United States and USAID, Africa has remained to be called poor for the poorest, and with that – (inaudible).

What is the USAID, with all the support that America has given, the U.S. has given with other organizations, doing to Africa that it's being called poor for the poorest? Can there be an implement? Can you do something about that?

Then I come to the other question. Now that we have innovative technology

MR. RUNDE: I'm sorry, Madame –

Q: -- how can we use that for young people to get this moving other than just pay people?

MR. RUNDE: Thank you. We're going to have the gentleman here. I'm sorry, we need to -- I want to just make sure we get these four questions answered. Then I'm hoping the administrators will stick around afterwards for some bilateral questions. They're not going to be able to answer everybody's questions here. Yes.

Q: Thanks. Hi, I'm Mark Peterson from USAID's office of science and technology. USAID has been around for 50 years. People have talked about reaching the day when development agencies like USAID are no longer needed. I was wondering what you think about whether we're on the path to get there, and if not, what do we need to do to get on the path?

People have also talked about countries and regions being stuck. So are there new players that need to come to the table, or new ways the players need to interact for us to get there? Thanks.

MR. RUNDE: Thank you. So I'm going to ask each of the panelists to take any or all of those and respond, but I'd ask that you respond briefly. Mr. McPherson.

MR. MCPHERSON: Well, I think we're going to get there. When you look at today versus 1960, 1980, just huge improvements in the world. I think that part of getting there is human resources. We had -- at a peak in the '80s we had 18,000 long-term trainees here. Dramatically fewer -- (inaudible). Human resources, research and development to me are critical for the world and those are the keys to sustainability and moving on.

MR. RUNDE: Ms. Fore.

MS. FORE: I think the world has shifted a great deal and it is no longer a world in which it's going to be countries graduating. It is where parts of a country are poorer than other parts of a country. Sectors, industries are not as prosperous as they could be. And the United States is not as pre-eminent as it has been. And so our future lies in the international world and with these countries.

There are some big engines of growth starting to move: China and India and the continent of Africa, with great growth rates that are going to be extremely important for the future of the United States. So to me it is going to be more of an issue of Americans being globally educated and knowing how to operate, whether you're at a state government level or whether you're at the federal government level, and that an agency like USAID and the other agencies in Washington gather together and integrate their programs so that it is in the U.S. national interest as well as in the developing country interest.

What USAID has helped create in the world is peace and prosperity, and that has been an enormous positive that we all take for granted.

MR. RUNDE: Mr. Natsios.

MR. NATSIOS: I have argued unsuccessfully that the development community has spent too much time cultivating the left in American politics and not enough the right. The way the aid budget was maintained during the Cold War is we had right-wing Cold War advocates for foreign aid and left-wing, for different reasons. It's a coalition. That collapsed when the Cold War ended. We have not recovered from that.

One of the problems with this city, it's enormously hostile to the church. It's hostile to the church. Half of the country is very conservative and its base of support, the Republican Party is the evangelical Pentecostal church and conservative Catholics. You cannot win the presidency as a Republican unless you have half the Catholic vote, OK? We have not mobilized that community.

You know the only Republican candidate for president in 2008 who endorsed a doubling of foreign aid? It was not John McCain, a liberal moderate Republican. It was Huckabee. Why do you think he did that? Because he loved foreign aid? He doesn't understand foreign aid issues, with all due respect. The evangelical church told him, if he did not support it, they weren't going to support him. We should stop this hostility to the church.

And the second major support in the United States – by the way, these churches have a lot of support in the Third World. The church is very powerful in Latin America and in Africa. Have we mobilized them behind the aid budget? We have not done that. Do you think a congressman makes these decisions just on their own because of what they like or don't like? If you get every pastor and priest and rabbi and mullah in your district calling you saying to do something, you take it – I was a legislator for 12 years. You take it very seriously. Have we mobilized them? Absolutely we don't talk to those people.

The second group is the military. Most of our troops now have been to Iraq and Afghanistan. My son just came back Saturday from a year in Afghanistan and he had contact with AID officers. We get four-star generals to sign off on this. How many four-star generals are going to call their legislator or congressman on this? We need to mobilize the 2 million men and women under arms in the last 10 years to call their congressman and senators.

And how do we do that? Through all of the military – retired military associations, the American Legion, the VFW, the ROA. I mean, I was a member of these associations when I was an officer after I retired. We have not mobilized the mass of military in the United States behind this budget. The only way my party is going to support this, if they get a lot of calls from their district and presidential candidates. If they get a lot of pressure, I can tell you what they're going to do. It's just simple politics.

MR. RUNDE: Dr. Shah, you have the last word.

MR. SHAH: Well, let me just say on the – I want to say something about Andrew's comment, which I think is spot on, and I think if you look at the track record over 50 years of where we've had growth in our development portfolio or our health portfolio, it has often been deeply motivated by our ties to the uniformed military, by our connectivity with faith and evangelical communities, and with an increasing focus now on the role that corporate America plays.

And the reason for that is of course because, unlike where we were maybe 50 years ago, today more than ever those communities recognize value and have their own very strong self-interest tied into achieving development and health results in the developing world. Today most of global growth happens outside of our borders, and the fastest growing countries are the ones where we have aid missions that are deeply connected to all kinds of different partners in that environment. We have a lot to offer to people seeking to tap into that growth in a manner that achieves local development results.

From a national security priority, everyone that I've talked to in the military fully recognizes that the next potential Afghanistan is the Horn of Africa-Yemen situation and they want to know what are our thoughts from a development perspective on a stable and secure pathway for that part of the world.

And as a basic expression of our moral values, I spent an afternoon at Saddleback Church with Kay Warren. She sends 14,000 congregants a year abroad to engage in development and health activity, and they volunteer in the churches outside of Nairobi that provide 60 percent of the health care to lower income populations in and around that part of that country. They do that all over the world.

If we don't do an effective job, as Andrew put it, of connecting to those communities, we won't have another 50 years. And this is the direction that I think it's going. I think we are working hard to change the way we do business in order to be an absolute best partner to each of those communities and reaching out and expressing American values abroad.

And I think the proof is in the pudding. You know, we've seen – there were some questions about 50 years and going out of business and Africa. African countries where we're working are often growing at 7, 8, 9, 10 percent. Steve Radlett's (sp) book I think is an excellent exposition of that phenomenon. And you've seen the transitions over 50 years. We're transitioning out of 11 countries now that are graduating, in Eastern Europe, Latin America, other parts of the world. But the most dramatic transformations and transitions happened when the president of South Korea had a state dinner last week or two weeks ago and where there's now widespread recognition that USAID's early investments there have helped contribute to an economy that creates hundreds of thousands of jobs at home.

So I just hope that we do a good job of carrying forward the legacy of my partners on stage here today. And I want to close by saying thank you to the USAID team watching in the building. I think there's a recognition in the Reagan Building, as each of you knows personally, that this work and commitment to this work spans political parties, spans particular time of administration, leadership. And I spend a lot of my time hearing about the great things that Peter, Andrew, Henrietta, Brian have done. So it's wonderful to have the chance to do this on our 50th.

MR. RUNDE: Please join me in thanking the panelists. (Applause.)

(END)