

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

**The International Development Assistance Ecosystem of the U.S.:  
A Development and Foreign Policy Strategic Asset**

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DANIEL RUNDE: OK, folks. I think we should get started. Thanks very much. I'm Dan Runde. I hold the Schreyer Chair here at CSIS. And I want to thank everybody for coming. It's going to be a very full house today. It's also being live streamed as well. And I want to thank all the folks that are watching online for this, what I think will be a very important conversation about the U.S. development ecosystem.

I want to thank everybody as well for bearing with us. We had to postpone this conference, which was scheduled for late October, because of Hurricane Sandy. So it's great to see so many folks. We've had 4,000 downloads of the report so far, which I'm not saying is a bestseller compared to, say, novels or this sort of a thing, but for think tank reports, it's a pretty good number, I have to say. And we had 300 people sign up for this event. So I think it speaks to the energy or the salience of the issue.

I need to thank a number of folks. I first want to thank Betsy Bassan, who leads the Panagora Group, who really helped pull together a very diverse group of funders and supporters for this work. Thank you very much, Betsy, for doing that. And then I also want to thank my co-author, Conor Savoy, as well as the – one of the senior advisers on this report, Asif Shaikh, who's to my left, as well as Nikki Collins, who's here. Thank you, Nikki, for all of your work to help make this event possible. I really appreciate it. Thank you.

I think this report has generated more energy and more controversy than anything that I have done to date at CSIS. I think in our report we argue that the U.S. development ecosystem is a strategic asset for the United States, akin to our defense-industrial base, and that we should be thinking about that when we think about the development ecosystem. And I think that's a fairly controversial statement in Washington.

There are a lot of people that love to hate the for-profit implementers that develop – deliver our development assistance. When you think about Feed the Future, when you think about PEPFAR, when you think about Emergency Response or the work that we do in Afghanistan, who delivers that? Who actually is delivering that?

But there seems to be some sort of a disconnect between the discussion in development policy and actually the sort of – the folks who actually do the work. And so I think it – there's a temptation to be flippant and to be negative about the folks that actually do this work. And I find it very, very puzzling.

And I thought – it was one of the reasons why we wanted to do this, because I – we think – I do not see why it's so controversial, but it seems to be a controversial statement to say: This is equivalent to the defense-industrial base. This is a strategic asset for the United States. And we think that's a – it's a – it's a position that's often not taken in Washington. So I think that's what I think has generated so much energy.

And there's good reasons why this system has evolved and was encouraged by the U.S. government and why the U.S. government has looked to private actors to help deliver and implement critical work. There are a number of good reasons that we can talk about. One is transparency.

One's about accountability – especially to – accountability to American taxpayers. And I think we often forget that when we're in the development business, that we have a special kind of accountability to the American taxpayer, well – as well as other forms of accountability. And don't get me wrong, but I do think that we have a special responsibility to the American taxpayer.

And in the report, we're not saying that every challenge that the U.S. faces should be delivered through the U.S. development ecosystem. There's a percentage that is done through local organizations. There's a percentage done through public international organization. There is a percentage done through local groups. And there's a percentage done in a government-to-government fashion. We've historically done that.

But I think – what's prompted, I think, so much energy is the discussion around procurement reform that the administration has begun. And so I think we'll have a chance to get into that in – with this panel, which I think is a very diverse and interesting panel that I think will be able to touch on this.

But I also think it generates so much energy – this discussion – because it touches some core questions about American influence and American foreign assistance policy. And I think it touches on questions about how – should we see aid delivery as something that serves as a vector of American interests? What are the best ways in which we should leave capacity or to leave something behind? How do we do this while ensuring non-negotiable levels of transparency, rectitude, reliability and accountability? And how do we – as I go back to the point I said earlier – how do we be accountable to the American taxpayer as well as to host country governments and to the societies and the immediate beneficiaries that we are trying to help?

Just in terms of – as I – as I said, we used to go government-to-government support. And in fact, there have been instances where we've done – and people will quickly correct me if I use the term budget support. They'll quickly explain there are – there are – there's things as – such as project support and there are sort of other forms of government-to-government support.

But we have done in the recent past – we had – we did budget support in Georgia to support the government of Georgia after the invasion of Russia. Well, there are good reasons for that. We wanted to prop up an ally at a moment when they really needed assistance. And there was good reasons why we should – we should do everything we could to support – to support the Georgians. And so that – there was a – there was a different kind of a set of priorities or a different calculus that we had than in other sorts of circumstances. But we don't have our allies invaded every day, so I just would just suggest that that is – as a point of departure.

I think that also, in the case of international organizations, there's many good reasons why we should be working with them. But to count public international organizations in the same was as we count local NGOs or government-to-government doesn't seem to make sense to me. And there's been some instances, there's been some instances where folks – so there's been some challenges around implementation – how we – how we implement – how we implement these – this new change of moving to 30 percent, ultimately, but 2015, I think has – I think is

creating some – or has the potential for distorting – creating some distortive incentives for folks on the ground.

And I think there are examples such as, we're a public, international organization. If you follow – if you're in the business and follow this, it's very easy to make a grant called a PIO grant where you can do in one page. And you can sort of answer the mail on something back in Washington in terms of being able to say to your boss in Washington, I've met my 30 percent goal, which is the goal, where – as opposed to saying, well, I'm going to do this in a way where I might be working through an American NGO.

So I think there are some things that we have to be careful about. There's the – there's going to be the – in essence, some incentives that I think aren't particularly constructive. But finally – also in the case of local organizations – there are many countries where there are many complex and very capable NGOs. So I think that we should be aware of that fact.

I think there are opportunities where the United States should be using them in third countries. I think there are opportunities where the United States should be using Turkish democracy promotion NGOs in Egypt or Indonesian democracy promotion NGOs in Egypt. And so I think that we – so I'm not against – saying we shouldn't work through local NGOs. I think there are lots of opportunities. I think the administration's aware of these sorts of opportunities.

So I'm not – so I think there is – there are ways in which – that we can work through local NGOs. But I have a concern about organizations that have a \$300,000 budget and them being offered a \$5 million or a \$10 million grant. I think those are the sorts of challenges – I'm not saying that's necessarily happening, but I think that these are the sorts of things that we have to be cognizant of. I think these are – these are – these are the sorts of things that people are raising.

But I think the other thing – just a couple other points, though, for my friends in the implementer community – I think the world is changing and I think the horse has left the barn on this idea. I think that this is – this is not going to go away. This is – there's going to be some adjustments and tweaks to it. And I think we'll hear some updates from Susan about some of the – some of the updates about how implementation is happening.

And I think that's important because I think we have a lot of capable foreign service officers and civilian folks who are thinking about this and aware of the challenges of implementation. So I know that there's going to be a number of things that I think – or I'm hopeful will potentially mitigate some of the things that I've put on the table or some of the things that we need to worry about.

So there have been some news. There's been a two-day learning summit that Susan convened at PPL that I think – I hope we'll hear a little bit more about that. I think there's a very interesting study by ODI, which is a very prestigious U.K. think tank, that says we shouldn't conflate running money through the pipes of local organizations with the equivalent of capacity building. And I think that's a very interesting study. And I think the fact that AID funded it, and

I think the fact that it's out there, I think is something that the community needs to be aware of; I think that's also particularly very important.

But I think the bad news for my friends in the – in the – in the development ecosystem is that there are a large number of people in the administration and the development policy community who think that you are too expensive and that you do not leave capacity behind; that they believe that at a core level. Now, that may not feel so good, that may not sound so nice, but they – that is not the only thing that's motivating this – but I think one of the things that we're going to have to do, and I think that's come out of this process, is I would like to do with CSIS – a large, major study comparing insourcing versus outsourcing of development implementers, comparing it to multilateral institutions, comparing it to local NGOs and to local for-profits as well as INGOs and IDCs. And I think – so I hope people will come up to me and talk to me about that, if they want to learn more or get involved with that and help me to figure that out. But I think that is something that I've taken away from this (one ?)-year-long process.

But I also think that – I think that what this – the good – the mitigating factor is, I think that this report does finally put many of the issues on the table in one place. And I think this panel, I think, will be a chance to have an honest dialogue among a spectrum of actors who, you know, have very different viewpoints about procurement reform and who are thinking about what does local capacity building mean. So I am very pleased that everyone's agreed to do this.

So – but I think the final thing I want to leave you with is that one of the reasons that this isn't – not going to change with a change of secretary of state or, down the road, a change of other leaders in the administration is that this is about Paris, Accra and Busan. And so when you hear folks in – when folks in the committee say, well, why are they doing this to us? They're – why are they being so mean, or why are they saying these terrible things, why are they saying these insulting things? Some of it is, they – that needs to be fixed, and I think that's being fixed, but – by some of the – some of the leadership in the administration; I think that's been – I think that's been appropriately dealt with. But I think beyond that, what's driving this is the Paris, Accra and Busan agenda. And so to the extent that we have a problem with procurement reform, or you have an issue with it, we're going to have to proffer an alternate interpretation of the Paris, Accra and Busan agenda for the next round of this work, and also offer an alternative to what local ownership necessarily means.

Why don't I stop there, because we have many thoughtful people – and thanks to all, again, for being here today. I'm going to turn the floor over to my friend and colleague, Asif Shaikh.

ASIF SHAIKH: Thank you, Dan. And it's a real pleasure to be here. As I look out over this room, I see the entire ecosystem of development. (Laughter.) And so, being an environmentalist in parts of my life, being surrounded by biodiversity makes me comfortable.

Dan mentioned that this is a diverse and interesting panel. I'll take the diverse part and –

MR. RUNDE: Leave the interesting to somebody else – (laughter) –

MR. SHAIKH: Leave the interesting to my colleagues. I am, for those of you who are old enough to remember the reference from the Guido Sarducci school, where you go to college for four years in economics and all you remember is supply and demand. So with respect to the report, let me make a core Guido Sarducci point, which is that I agree with the two things that I remember about the report, and that is that there is a development ecosystem and that it is a strategic asset.

I agree probably with other things, but my role on this report and in this effort – I was privileged to be asked to moderate the three very productive sessions that we had, with very diverse representation – and in the report itself, my role was not to write the report but to help to assure that the report reflected the diversity and the divergence of views that came out of those sessions. I don't agree with everything in the report. And I think, almost by definition, there was no one who participated in these discussions that will agree with everything in the report. That is precisely the point. There are real disagreements within our community. There are divergences. But there are some very important points of commonality.

I, as my good friend Betsy knows, tend to stay – stray from the script. Dan did ask us in a note – I'm not supposed to reveal that, I think; I'm not sure, but – (laughter) –

MR. RUNDE: It's OK, you can. You can reveal the note.

MR SHAIKH: – to address some questions. And I'm an avid enough watcher of the political process in the U.S., without revealing any political preferences, that I know I can answer the question I want to answer and not the one I was asked. (Laughter.) So that's what I'm going to do.

What preoccupies me is that I agree that the development ecosystem has played a very important and, I think, constructive role. But we're 60 years into development, and the fundamental fact is that what we call development is changing. It has changed. And so we can't just anoint the role as being good or bad; we have to think about the role for the future needs of development.

So let's talk about some of the changes. One key change: Looking backward in order to look forward. Thirty years ago – and you've all heard this before, so I won't belabor it – 30 years ago – and I got this several years back from Dan, that the numbers keep shifting – 30 years ago, 70 percent of the capital flows from this country to the developing world were public; today, 87 percent are private. And then if you add to that India, China, Brazil – and domestic investment that is being unleashed in country after country after country as they seek to make their own future, and then you throw on top of that the factors that I think are really shaping the future of development, and will – Facebook, Twitter, cellphones, Internet, access to ideas, access – equalization of access to information – the fact is that we who are part of this ecosystem and who are in one way or another associated with the donor community are tiny minority shareholders in the process of development.

And things are going to happen. Investment is going to flow. I was talking to someone this morning who is interested in a mining investment in Afghanistan for billions of dollars.

Well, that's probably going to be more important than most of our aid combined – in fact, two people; one for iron ore and one for gold and silver. Why they were talking to me I don't know, because I don't know anything about those.

But in this new world, as minority shareholders, the role of this entire ecosystem needs to change. And the question is how. We are not the ones making development happen. Our role is to help influence the flows that are going to happen with or without us in ways that lead to better outcomes for the people and things we believe in – for American values, for American interests, for those who would be our trading partners and for our own moral values. And that is a completely different role – (audio break) – they do.

And this leads to the next topic I'd like to address very briefly. Carol and I were talking about this in a session –

MR. RUNDE: In the pregame –

MR. SHAIKH: In the pregame, right. What do we mean by country ownership? Well, one definition is that countries and entities in those countries own the dollars, the development dollars, that comes from this minority shareholding. And that's fine. I'm for it. I think historically that's going to be part of the process. But that's not really country ownership, and it can become a formula for dependency.

Real country ownership is when countries, societies and the members of those societies own their own future and can shape their own destiny. And that is not going to come from owning the very small amount of dollars that we have to put on the table. And yet that small amount of dollars can have a critical influence on issues like gender, issues of poverty reduction, issues of food security; and again, I repeat, the investments are going to flow whether we pack up and go home or not. So our urgent task is to help influence them in ways that lead to better outcomes. That is the moral imperative.

So whatever the judgments we have had over the last 60 years, over the next generation, if we are not doing substantially different things than we are doing now, all of us deserve to be out of business, because that's the challenge.

And in fact, countries are taking ownership. Seven hundred million people, maybe it's 800 million now, maybe it's 650 million in India and China have been lifted into the middle class in the last 30 years. I've been doing a lot of work on Africa. People who are establishing an Africa investment fund have been talking to me about that, and it's fascinating. Three hundred million people in Africa in the last 20 years have joined the middle class. And maybe the definition of middle class in Africa is different than it is in China, but it's still the middle class.

Consumer demand in Africa – and I've spent a lifetime working in Africa – this year is \$1 trillion. Now, how many of us who have worked in Africa imagined that we would hear the word “trillion” and “Africa” together in a sentence in a positive way? Nigeria needs 20 million new housing units in the next 10 years. So there are things that are happening. Seventeen

African countries have been growing at 6 percent a year, 16, 17 – some have dropped off – for the last decade. So things are changing.

And those changes mean that people in developing countries – first of all, it's not a bloc. They're not all one kind of country. There's middle-income countries, there's threshold countries, there are – I hate the term “fragile states” because it implies that some states are fragile and that some are not. As we see in Mali, as we see in Madagascar, you can be a middle-income or a threshold state and still be fragile. So fragility exists as part of development. But what they need are different things from us. They need expertise.

So what this means for this ecosystem, in my opinion, is that instead of – and I'm pulling myself out of some of the internal debates of the ecosystem, because historically, as we look 10, 15 years from now, that's not what's going to shape the issue. What's going to shape the issue is whether or not we have provided what people need, and that means that instead of looking internally, we have to look externally. We have to say, what do they need and then decide what do we have to offer, who should provide what is needed and how should it be provided. We ask ourselves the wrong question if we start with the internal debate about this one's better than that one.

And, you know, I – I'm involved with a lot of NGOs. I'm involved with a private firm. I'm involved with a think tank. I don't get much done. (Laughter.) But we really have to change our mind-sets and look through the eyes of the people of the developing world and what it is that we have to offer them. And in some cases, what we have to offer is stuff that they don't need, that they're not asking for. And in those instances, it shouldn't be given. There has to be a value proposition, and that value proposition is demand-driven.

So in terms of is the American development ecosystem giving us good value for money, I would argue it has. Let me put a concrete case on it. When I was a U.N. volunteer in Niger in 1972, there was one trained engineer in the country and there's a cumulative total of 47 college graduates in the country. Today there are tens of thousands of college graduates and there are hundreds of engineers.

When I began my career, you could go to Pakistan, a country that's fairly advanced in many respects and not in others, and if you could go to the World Bank, get one of their reports, read it, have a typewriter, you could be a consultant that added value, at least in your own eyes. (Laughter.) Today the minister has a Ph.D. from MIT and there are thousands of others who do. There are billionaires who know the world financial system. There are bankers who understand how the world system works. What they need is very different. And yet what countries like Pakistan, countries like Niger, countries like Mali and others throughout the world need is good governance. And so I will close with that.

I know of no case in the history of the world – and if there are cases, they are the exceptions that prove the case – where there has been poverty reduction at scale without a reasonably stable, a moderately benign and a reasonably predictable governance framework. And again, it is because we don't do development. Those are the circumstances that unleash private capital, that unleash private initiative, that empower people.



Paul is here, so I'm going to use the word "power." And I've been involved for 10 years in something called Nature, Wealth and Power. It's about power relationships. And as Paul has said many times, the reason some people don't have power is that there are people who don't want them to have power. There are – to use a word that doesn't get used often enough in Washington, there are class issues in developing countries. There are issues between the elites and the have-nots. These are the issues that we can help affect.

And I think an MCC-like criterion, a World Bank Doing Business-like criterion, a criterion that says to countries, you know, there is now a sufficient group, and we shouldn't ignore the elites, who want to be plugged into the world system, who want to be part of the community of accountable nations because there's money to be made in it, that those people have to have their own incentive to live up to certain standards.

And I think there is an enormous role for us to help societies get there while giving voice to women, to the poor and to those who need an external voice to amplify their own voices, because often it is access to an idea that once you know it, you cannot unknow it. And frankly I think Facebook and Twitter are doing as much for that as we. How can we be part of tomorrow's revolution and not just judge ourselves, pat ourselves on the back or beat ourselves over the head about yesterday? It was a learning process for all of us. So let me stop there.

MR. RUNDE: Thank you. Carol.

CAROL LANCASTER: Well, thank you. You have been naughty, Asif. You raised the big issues involving development today, which I think are obviously related to the substance of this paper, but I think the paper has another focus. And I hope that CSIS will – and others will grapple with some of these big issues, the impact of new technologies on what happens in developing countries or, for that matter, anywhere, including here. I've actually become a tweeter now at the – under pressure from my colleagues. (Laughter.) Deans should tweet. I wake up every morning and wonder, what the dickens am I going to say today? (Laughter.)

MR. : "Dickens" is a good place to start. (Laughter.)

MS. LANCASTER: So we all should be –

MR. : Hashtag dickens. (Laughter.)

MS. LANCASTER: Yeah. (Laughter.) Asif has also made a very important point about power and power relationships and how in many ways governance and institutional weaknesses are at the core of the development challenge, and I'm not sure we've cracked that nut or whether we can. I wouldn't think that just doing the MCC thing about creating incentives by requiring performance is the only way to attack it. I think helping out in other ways with direct or indirect interventions may also work. But that's a whole different question.

And I thought I would turn back to the report, Dan, because if we all decided not to talk about the report, it would be sort of funny, wouldn't it?

MR. RUNDE: It'd be fun, but –

MS. LANCASTER: It'd be funny, not – maybe not fun. (Laughter.)

All right, so I thought this was a very strong report. And I think its strength is that it has a very strong point of view. I thought this was also a very weak report in the sense that it has a very strong point of view and doesn't have as much of a reflection of the alternative point of view that I would have liked. But it does make a – it does make an interesting and lively case for concern about the procurement reform and the particular target of 30 percent to local folks in – by 2015. So I thought I might – I might take on that.

But let me just tell you one funny story as a background. When I was in AID, gosh, almost 20 years ago – is it possible? Dan was only this tall – I remember everybody was throwing around the term “Beltway bandits.” And it struck me that that was unfair, because if we were dealing with – if we were dealing with bandits, we shouldn't be dealing with them. And if they weren't bandits, we shouldn't be calling them that. There is – but that was a reflection of, I think, something that is still perhaps the case, although I'm not sure – I'm not sure it's been entirely taken care of, which is this feeling that – probably coming from the Defense Department galaxy, that somehow contractors were ripping us off. I hope that's gone away by now. I – but I think there may be just an element of that in some of the conversations that happen.

But – so let me go on. I don't think it's all one side or the other. I think there's some issues that this paper raised, and I want to put them out there for consideration if you're going to revise it or if we're going to talk about how it might apply day after tomorrow to what's going on. And one of them is an issue that Asif raised, and that's the question of ownership. And we've been talking about ownership for 20 or so years, the ownership presumably by the recipients of our assistance, that would somehow give them the sense of responsibility over what is funded and continue it after the donors have gone away. And that makes a lot of sense. Its core truth is there.

But I think one of the things that we haven't ever completely, I think, solved is what – whose ownership. Sometimes governments, sometimes local NGOs, sometimes other elements in recipient society, sometimes ourselves, I suppose, are not necessarily reflective either of needs or opportunities in those societies, and how do we decide – how do we decide how much ownership there is that we want to engage, and how do we find out what it is and make it responsible?

We also – as – all of us, as citizens of a country that provides assistance, have an accountability not just to the people we provide the assistance to but to the taxpayers who fund it. And so ownership can never be complete, in the sense that we have to have a say as to what's going on. I'm not sure we don't have far too much of a say often. But when we want to – when we want to engage our partners, whom do we engage? I don't think we'd ask the government of Prime Minister Mugabe as to what it would want and then call that ownership.

So we haven't cracked that nut yet, it seems to me, unless Susan tells me otherwise. And I say this from an outsider. I'm not really up to date. And then how do we – how do we assess – how do we assess it in what – form or another, whatever – terms of whatever criteria you want to use to allocate funding. I think that's an issue we need to – we need to continue to work on.

A second one it seems to me we've talked a little bit about is capacity building. If we want to funnel a significant amount of funding through local governments and local – could be firms, could be NGOs, could be whatever, you know, we are concerned – I think there's a legitimate concern (sic) about capacity. And even some of the countries that are receiving large amounts of investment – let's say Nigeria or even Ghana – have sometimes quite weak capacity in various places. And it is – seems to me part of our responsibility to the sources of our funding to make sure it's handled well.

I'm – I don't know, Susan, you can give other reasons because I'm a little uncomfortable about just picking a target. Maybe there was a political reason for picking a target. If you don't pick a target, it never gets done. But on the other hand, it could get done poorly just because you're trying to reach a target. So the idea is good. Let's have a bigger voice and a greater engagement on the part of the folks we're trying to help, but let's figure out what capacity we need, and let's not throw it at organizations that may or may not be handling it, which many of us suspect has happened in places like Afghanistan.

And so that links to the other issue that we mentioned a minute ago, that Asif has mentioned, the functioning of institutions or governance or whatever you want to call it. Again, I think we are not terribly sure about how to fix that. I'm sure you've all read that – the hot book on development, "Why Nations Fail," which is all about institutions, recommended reading, but it doesn't give us a solution, and I don't think we actually have one.

It'd be interesting to know – and again, Susan may have this, or others may have this – what have we learned by 60 years of capacity building, whatever that means, and how much can we do in capacity building when a government itself or a society itself is corrupt, controlled by a self-interested elite? I mean, capacity building isn't just putting accountants in ministries. I understand that AID is in fact beginning to assess the capacity of potential recipient ministries or units in developing countries. I hear this from our new faculty member at Georgetown, Steve Radelet. That's just by way of a little advertisement for Georgetown. (Laughter.)

MS. : Thanks, Carol.

MR. : Sucking sound. Sucking sounds. (Laughter.)

MS. LANCASTER: Yeah, just wait. There'll be more. (Laughter.)

I'd like to hear more about that because I think that's actually key. And I know it's been done before. It's been done with some of the sector adjustment programs. It does bring the donor very much more into the development intervention, in a sense that there has to be accountability. Of course, if you do it the way AID is doing it now, which I gather is, you do it;

you pay for it; send us the receipts, maybe the accountability problem is diminished a little bit and so on.

I think the MCC – we mentioned the MCC. I think here is an issue with capacity building. The MCC has created parallel organizations to ensure that its funding is well-managed. And I think there's been a long debate about whether that makes sense. If you want to get it done, you want to get it done quickly, you want to get it done right, in a lot of places you create parallel organizations. But is that really what we want to do as far as long-term evolution of capacity in the countries we help? So I think that's a – I think that's an issue that's still on the table.

Now, the – I have two more points, and then I'll stop. Point number – this is three, in case you were counting. Point number three is that we have a goal, or AID has a goal. It's a controversial goal: 30 percent of development assistance, I assume, goes through – should go through local organizations, governments and so on. Do we have a strategy to get there? And the strategy would presumably involve the kind of things we're talking about. I remember, again, 20 years ago we decided that we would promise the NGOs that we would put 25 percent of our funding through NGOs. Of course, we didn't know how much of our funding was already going through NGOs. (Laughter.) And we never did learn – it kind of moved around a little bit. That was a – I don't suggest for a minute this was a political move. That was a political move to save AID from being absorbed in the State Department, and you know, our development ecosystem was what we needed for support. But if – this seems to me a much more serious effort, and so I assume there's a strategy of some kind to get there, and maybe I've missed it.

And finally, I just want to throw one spanner here out. And that's only one. It does seem to me, looking from the distance I look at what's going on in USAID right now, there's something going on that, if I were an NGO or a contractor, I might begin to be feeling a little uncomfortable about, and that is the emphasis on innovation. I think the emphasis on innovation is great. It's a micro approach to doing a whole lot of things. I don't know how big it's going to get. But if one is worried about funding – and I think we all are worried about funding, wherever we're sitting, and what the future is going to bring – that seems to me to be also a challenge to all the ecosystem we've got out there because if you're doing innovation and you're funding innovations and you're funding ideas from bright young things or other organizations, I don't know, like the development lab in MIT or some of the other innovation places, that's going to be a shift too. And I don't know what our concerns about capacity and so on, but I think I – I think I'd want to wrap that into this, Dan, because it has some real implications to where we're going to be five or 10 years from now.

So thanks very much.

MR. RUNDE: OK, Paul.

PAUL O'BRIEN: OK. Well, this has been great so far.

MR. RUNDE: I got my (fight ?) jacket on.

MR. O'BRIEN: Yeah, good. (Laughter.) You know – thanks, Dan.

When you first asked me to comment on the draft and I read it, I had a real question in my head, and I think I said to you know, I'm not sure I want to help you improve this because I disagree so fundamentally with the premise that if I make it stronger, it's a sort of a self-destructive thing to do. And you said, no, let me hear your comments. I think you did take some of them. But I promise you this: I embrace your disagreement, and I will offer you a forum to publicly voice them. And you held true to that, despite various different schedules. And I think the seriousness of your desire to have a serious debate around this issue should not be taken lightly, and it's a reflection of your judgment call on this that we have a room full of luminaries from our calling here to continue the conversation. So kudos, no matter what I'm about to say now. (Laughter.)

OK. (Laughter.) So a couple of months ago, I am sitting in Jamaru (ph), which is a little district on the very western tip of Ghana, just next to the Ivory Coast. I'm on the beach, and the whole village is on the beach there, too. Actually, that's why I was there, trying to find out where they all were. And they're all looking out to sea. And what they're looking at, and I can see, is this 30-foot boat packed with fishermen on it, and they are – many of them standing, some of them sitting, and they are literally surfing in over this really high surf with a boat laden with their catch. They've been out for two days. And they make it past the worst of the surf, and the boat turns, the fishermen throw down the anchors, they jump off, and the whole beach goes into celebration. And I turned around and I said, why is everybody celebrating? Surely this happens every few days. And they said, well, you know, the weather 's been worse in recent years. That surf is really high, and it's pretty dangerous. And I'm sitting there and I'm watching all of this, and of course, that tired old maxim comes back to me. And I sit there and I say, so we're going to teach these people how to fish. It looks pretty dangerous, and it looks pretty hard, and they seem pretty good at it. What do we really have to offer them?

So Dan's paper, here's what Dan's paper says, because he has an answer to that. And it is a serious answer. I don't mean to make light of it. He said, look, our ecosystem, all of us collectively, have three really important things to offer. One, we've got skills. We know how to fish, and we've got new ideas about fishing that might make it a bit easier. We have expertise.

Two, we know that Congress has a particular view on fishing. They want to know the money got to the fishermen, and they actually like counting fish, because it's American taxpayer dollars. They want to know that there's a number that they can explain to their constituency.

And the third thing is, we have a particularly American way of trying to be useful in the world because we profoundly understand that if people are just left to their own devices, if they're given a little bit of support and space and freedom, they actually can help themselves, and that's an American idea. And if the right group of the ecosystem furthers that idea, we can actually be relevant in the lives of those fishermen.

So that's his argument – expertise, political savvy and an American approach to development. We're good at it, we've got it, don't give it up. That's the heart of the paper.

He's wrong, and he's why he's wrong. That maxim misses a sentence. And you know, Asif being an elder statement – statesman of this whole development ecosystem tends to speak in

allegories, so it is sometimes subtle as to how his remarks actually speak to the thing he's being asked to actually do, but he was speaking to it, and we're all supposed to work it out. I think I've got it. (Laughter.)

The missing sentence is, we fooled ourselves and everyone else when we said the big challenge was to move from giving people fish – which is easy to sell – to teaching them how to fish, when the real challenge is, somebody out there doesn't want them to know how to fish, or there's less fish in the sea, or there's going to be more people who need to eat fish and if all we're thinking about doing is teaching people how to fish in a sea that doesn't have an awful lot of them, when somebody else is stealing them, we're not going to be that relevant. What Asif was saying is, they're the protagonists, and if we keep talking about capacity building and preserving our power to build capacity, we're not going to be that relevant.

So there I was in Ghana, and I'm thinking about this and how do we get useful. And here's the interesting thing for these fishermen. Look, Ghana's about as good as it gets, right? It's one of the four countries that the U.S. picked as a development success story, second-highest growth in the world, 14 percent between 2007 and 2011, most transparent country you can find in that region. I think the nearest country that does better on Transparency International's ranking is Spain. They are committed to channeling their oil money and their aid money out through district assemblies, through the common fund to be spent. And yet you add all that stuff up there – their success stories, six peaceful elections, lots of money flowing through the budget – my back-of-the-envelope calculations as I talk to ministries and down through the system is about two cents in every dollar in Ghana today is actually getting spent on all the villages in all of Ghana on helping them to develop the skillsets and tools and services they need so they don't have to rely on those bloody waves. It's not enough for all the growth.

And we're trying to be relevant in Ghana, which is pretty good. So I think we're missing something, and I think Dan's paper misses something when it says, remember what we're good at and do more of it. So I want to offer three very specific critiques of the paper and three different recommendations for USAID and for all of us.

My first critique is, I don't think either the paper offers a vision, and I don't actually blame the paper for it, because I don't think USAID has offered us a compelling vision. We know it's easy to sell fish. The American public, that's how much they engage with development. That's an easy vision to sell, and we know that teaching people how to fish can be sold. But all of us in this room know that it's harder than that and it is about creating the space for good things to happen. But it's a hard vision to sell, and it is not something that USAID has sold effectively. They haven't. They haven't said – and I actually do think the ownership debate has been pretty much resolved, and it is a profoundly American idea, and I don't think we have actually communicated it well. Development happens when the polity, the economy and security allow people to go about their lives. It's about effective states and active citizens working together. It is their ownership of their lives.

So what did we come up with? We came up with the worst-branded initiative in the history of development jargon: the implementation of procurement reform. That was our vision – (laughter) – with a – with an acronym that's just as bad. We actually know that, I think if we put our creative heads together and we urge USAID to, we could start talking about people being in control of their own lives, people developing the muscle. And the only way that they can

develop the institutional muscle to work well is by using those muscles. This implementation of procurement reform is about making the right bets on the right institutions in the right ways so that they can set up all the checks and balances that we've been trying to do in this country for hundreds of years, since Alexander Hamilton. I think Raj Shah should read Federalist Paper Number 10 and talk to us about how some of the things that we've been trying to do here are still relevant and still useful in the world, that everybody wants power, everybody's trying to take power from everybody else. But if you can put the right checks and balances on it and create space, ordinary people can go about their lives and build better futures for themselves, and it's on that front I profoundly agree with what Asif and Carol were saying. So that's my first recommendation to USAID: Step up and give us a better vision and tell us what this is all about.

Secondly, I think USAID needs to be honest with us about what's working and what isn't, and I don't think Dan's paper gives enough credit to that. He says direct assistance has failed more than it's succeeded. I'm not sure I agree. I disagree on two fronts. First, I don't think what USAID is doing now is what it used to do. For a long time USAID actually did precisely the thing that President Kennedy set up USAID not to do, which is to make short-term political bets to keep strategic allies on side. That's what budget support was. And guess what? Of course it failed from a development aspect. It wasn't designed to do that. And every now again – Georgia – we do it again. We forget ourselves. We think we can buy some kind of long-term strategic change in the world by keeping folks on side. You know what is still the highest recipient of official budget support from the United States government? Pakistan. It's – and we're not doing it because we believe the Pakistani government is the most transparent, most effective, most oriented towards long-term development of its people. And of course it will fail. But guess what we're doing in lots of other places? We're making bets on certain ministries in certain governments, because we know they actually can be incentivized to do the things we care about the most: tackle corruption, lower waste, deliver results.

It's astounding to me. I worked in Afghanistan for five years. Here's a fact we don't talk about enough. We put the bulk of our money for health in Afghanistan through the Ministry of Health. This is practically the most corrupt government in the world, but we make sure that the money in the Ministry of Health goes towards their declared plans, which is to get basic health care to every Afghan. They've gotten to 95 percent of the country.

Here's the fact that we should measure success on. Lifespan in Afghanistan has gone up by 20 years – 20 years. That's the success. It's not a project, it's not a box that Oxfam or – Freudian slip – or Congress can check. It is the core outcome that I think we ought to be fighting for. So I do think we're doing it better; I do think that investing in local institutions is actually working if you ask the right question about it. Dan's other critique in the paper is that the other major donors who have been doing direct assistance have come to their senses, and they're not doing it anymore.

And he talks eloquently and thoughtfully about DFID, but here's where I disagree with him. What's changed is that the love affair with general budget support is over, but look at the organizations – the donors that were doing that – World Bank and DFID. They actually are just as deeply and in fact, even in greater levels of quantity, investing in direct support to governments. They're just calling it different and doing it in more sophisticated ways.

The World Bank has just launched its latest new instrument in 30 years – it's called the Program-for-Results; it's all about sector support. It's all about rewarding one part of the government in order to marginalize another part, basically. It's about understanding that development has a political economy behind it, and you want to reward the ones who are going to actually use that money to do development while marginalizing those who want to steal it all. DFID is doing the same thing. Yes, they said, we're not going to do general budget support anymore, but where did they put it? Sector support and program support through government budgets.

They're not developing their own ecosystem. That would be the wrong thing to take away from Dan's paper. He's not arguing that DFID created a whole – and you didn't say that, to be fair – that they're creating a whole development ecosystem. My difference with you is, are they really moving away from the idea of direct assistance? I say no. So that's my second recommendation.

I think that USAID should be better at celebrating what it is doing well and learning from what other donors are doing in sophisticated ways. And here's what Oxfam has found. We went out, we went to seven countries, we talked to 141 different stakeholders, governments, journalists, academics, local civil society organizations – they're doing well. That's what we're hearing. Not perfectly, but well. Eighty-three percent said that USAID is a better donor now than it was five years ago.

Sixty-two percent – sorry, 65 percent said that you're listening better. I've got it wrong – 62 percent said you're listening better; 65 percent said, yeah, they're listening better, but they're not allowing us to influence in real ways what they're doing differently. So we're making a lot of progress. They are definitely viewing USAID as a better donor to work with, but they're frustrated that we're not able to really get them, USAID, onto our, the protagonist's, agenda. They want USAID not just to listen but change and adapt to their priorities.

So that's our findings. The core finding from the second recommendation, though, is, it's working and keep going. And now, this is where we get to the rub of it, because in the end of the day, you do need markers. Our third recommendation – and again, I disagree with Dan here – is, I think you stick to your guns on 30 percent and you challenge the entire development ecosystem to evolve to that goal. Oxfam's argument is, you've got to do a better job of explaining it. You have to implement it thoughtfully, but do not walk away now. It's game time.

There are people at USAID who have put themselves on the line for this 30 percent; the whole institution is trying to put itself, at some level, on the line. The leadership put it out there and said: We can get there collectively. And it is affecting our bottom lines as a development ecosystem, and we are pushing back in some respects. And I say to USAID: push back.

And here's what I urge you to do: talk about the other 70 percent because it isn't 30 percent of development that's changing. Asif and Carol are right; the whole game is changing. There is so much we can do with the 70 percent to evolve – and I go back to the three things. Ask yourself, what are the new skill sets that we're going to need as a development ecosystem that we're going to get 70 percent of the funding for so that that 30 percent doesn't get wasted?



How are we going to bring Congress along and educate them when it's no longer just about counting up fish? And believe me, we have some enemies in Congress. And we, if we're not united as a development ecosystem, will take the whole ship down, because they're not really interested in our 30/70 debate.

They don't want money spent on aid. They don't really care about development. That's the larger battle that's going on out there. And finally, I would say the thing that perhaps frustrates me the most – and that's because I'm newly minted as an American – I don't think we do enough to celebrate what is truly, profoundly American about 21<sup>st</sup> century development.

We've won the biggest debate of all, which is that American values are actually succeeding as the foundation of development everywhere. It's about active citizenship. It's about good governance. It's about checks and balances on power. It's about letting markets work, but in regulated ways.

It's about the idea that every single person on the planet should have a shot at the American dream. And we have to create the rules and the environment around them so that that can happen. We are winning that battle, and China eventually will lose it if they keep trying to hide things and don't think about the long-term impact and the long-term relationship between citizen and state.

That's what's at stake if we go back to the old way of thinking about things. So I think we embrace the future. I think we have a – we have a victory that is – we're on the cusp of over the next four years, and I think USAID should hold firm, double down and we should have their backs. So that's it. (Applause.)

MR. RUNDE: Thank you, Paul.

MR. O'BRIEN: (Chuckles.) Thank you, Dan. (Laughter.)

MR. RUNDE: Tessie.

TESSIE SAN MARTIN: Yeah, right, so – (laughter) – so you know, I spent the better part of today thinking, damn, I go after Paul. (Laughter.) So what the heck am I going to say? So whatever I was going to say, let's not worry about it. (Laughter.)

I will – let me provide some other comments – (chuckles) – and try to cover some things that perhaps the other eloquent speakers and my immediate predecessor haven't covered. So maybe, you know, four points, since everybody seems to have about four points. And I – you know, I think the paper does one thing very well, and that's to shine a light on this idea that there is value to the diversity that's been created in the implementing community, and you know, that there's a value in that diversity, in one type of organization or another.

And that's – I think that's right, right? Because I think complexity requires diversity. If there's one thing that we've learned, and that all – everybody here is talking about is – this is –

you know, this isn't about finding any one solution. I mean, there are no silver bullets in this thing. This is a – this is a hard endeavor. And in fact, I'm reminded of – there was some writing, maybe it was a blog or something by Owen Barder, Ben Rumalingam, and it also talked about the – you know, sort of comparing economic political systems to complex adaptive systems. And he – they talk about development as an emergent property of that system. And – and by that they mean that, you know – that it's not something that is attributable to any one part of that complex adaptive system.

And I think that's a very interesting way of thinking about development because if we buy the notion that development isn't something that is due to any one thing that we're doing with any one element or agent in that system, then what's required to do development well is the ability to constantly adapt, to constantly test, to experiment, to innovate. That's what's required. And so the idea that we have a very, you know, diverse system that is able to do that, that's actually very valuable; it needs to be recognized, it needs to be nurtured, it needs to be – and it needs to be explored further.

That leads me to my second point: that – you know – so when we talk about the diversity of that system, what the heck are we talking about? Because I think when we speak about diversity, we're thinking of very different things. And usually, when we talk about the diversity in our ecosystem, we immediately go into, well, there are the for-profits and there are the not-for-profits, and you know what? I mean, if that's where the conversation stands, we're going to lose – (chuckles) – we're going to lose a lot of the richness. And I think that there's additional work that needs to be done to understand exactly what is diverse about the system.

And I'll just give you an example. One of the things – and I guess we're – you know, as I've said, not to talk about the questions that Dan gave us, but one of the things – (laughter) – told me to talk about was sort of bring it back to sort of what my own experience has been. And so I've had an interesting career, because you know, I've been – you know, I've been at IBM, and I've been at Abt Associates, and so both of those are – and I've been at PricewaterhouseCoopers – and all – actually, all three are, you know, dot coms, right? They're all for-profit –

MR. RUNDE: Before coming to dot-org, before coming to Plan?

MS. SAN AMRTIN: – right, before coming to Plan, right, and now I'm in an NGO. But before I came to Plan, I was in three different types of dot-coms, of for-profit organizations. They are by no means the same. You know, on one extreme you've got, you know, IBM, which is a publicly-quoted company that has quarterly earnings that they are trying to meet. And boy, that's short-term thinking.

You know, now – it's interesting that I tell you that IBM is short-term oriented, because of course, you know, it's a company that has a long history and tradition of long-term thinking when it comes to research and development. It really doesn't apply to business consulting services – (chuckles) – at all, right? You're supposed to be delivering quarter-to-quarter, you know, 10 (percent), 20 (percent), 30 percent growth. And so the patient to – you know, so being patient, that's not necessarily a virtue in that type of, you know, of organizations.

You know, on the other side, you've got, you know, an employee-owned company like Abt – and actually, employee-owned is not exactly right. At least when I was there, most of the shareholders were former employees, not necessarily current employees. But the point is, everybody kind of buys into the mission of the organization and what the organization set out to do. So you know, you don't have the same type of, you know, driven quarterly, you know, delivery of results that you do in a publicly-quoted company. And so maybe an ability to think longer-term in the – you know – PwC is a little bit of in the middle, because it's owned by the partners. And so they might – you know, those are basically – the managers are the owners. And so the incentives are all, again, here a little bit different.

So my only point here without belaboring it is, you know, dot-coms are very, very different. And what's different here to a certain extent is how they're – how they're capitalized. If you don't – if you go to the dot-org side, I think there's a big difference, you know, between, say, the organization that I represent, you know, Plan International, and, say, I don't know, an FHI 360, an IRD or some other types of dot-orgs. And it's not that one is better or worse, right? It's just that they're different and you need to recognize it.

Seventy-five percent of our funding, you know, comes from individuals, who are giving us, you know, \$30 a month, and have been doing that, you know, for decades. So we've got a base of funding that allows us to take a longer-term perspective, and – you know – and that's – and I would like to tell you that that's been by design, and of course, that's how we – you know, we set out to gather that base of funding. No, that's just the funding base that we have. And it – it allows us to do very different things from other types of dot-coms and dot-orgs.

So you know – so my only point is, so we talk about diversity. We got to get beyond for-profit and not-for-profit, we – and you know, we got to get beyond, you know – you know, procurement practices, whether it's with USAID or any donor, that simply just looks at that. You're not leveraging the best of what's available in that diverse ecosystem if that's all that you're doing.

The third point related to the first is, OK, so we've got this diversity, we've got all this ability to innovate and so on; none of that is worth a damn if we're not learning from each other, right? So the value of a diverse system is that we're able to – you know, we're each doing our own bit of innovation, experimentation, there is an ability to, you know, evaluate, to learn, to disseminate, but – you know, none of that is happening. Heck, it doesn't even happen within my own organization. I don't think it happens particularly well within any organization, never mind without – you know, among the entire ecosystem. So what are we going to do to improve that? Because if we don't, that diversity again is not worth a damn, in my opinion.

And the fact of the matter is that we're highly, highly fragmented. I think there are some interesting initiatives – I think IATI is one of them – you know, that is trying to, you know, promote the ideas, at least let's put information out there about what we're each doing in a common format so we can figure out what the heck is going on. And I love the fact that USAID, you know, and the U.S. government endorsed that.

I would like to see that, you know, go forward, you know, much more forcefully. DIFD has done that with their implementing partners; I'd love to see that being done here. I think it's long overdue, and we – you know, we very much need it. And it goes to this issue again of understand – you know, of innovation, Carol, which you – which you mentioned. I think – you know, presumably this is a system that can innovate. We don't – we don't even know if we can.

And finally – actually, to go back to this issue of how we're capitalized and so on – I think we have to recognize both the strengths and weaknesses of, you know, of our various, you know, organizations, and be – and be truthful, you know, about it, in terms of what's possible and not possible to do. So at the same time, and perhaps this point is related to the – to the second point, but I talked about the fact that different types of organizations have different types of, you know, capital bases.

I read somewhere – it was a – I think it was a Wall Street Journal article, and it talked about the fact that between sometime – you know, in the time period between the '70s and today, the number of for-profit startups that went from startup to crossing the \$15 million a year threshold was over about 44,000, for-profit. Over the same time period the number of NGOs that crossed the \$50 million threshold after starting up in the '70s was, like, 144.

Why is that, you know? There – you know, I think, you know, that's a separate topic that we could debate all day. But it tells me that – you know, why is it that, you know, for-profits can do that? I think to a certain extent, there is, you know, it's about taking risk; it's about, you know, what type of risk capital is available, you know, for for-profits and not-for-profits. And again, it's all about understanding what is driving, you know, the various parts of the ecosystem in which – that we all belong to.

So let me leave it at that. It's a poor, poor follow-up to you, Paul, but – (laughter) – and I wish I could say something really inspiring, but I can't, so I'm going to stop here.

MR. : (Off mic.) (Laughter.) That was great.

MR. RUNDE: OK. Thank you, Tessie. Thank you, Susan. You got the last word, and then what we're going to do is I think there is a lot that's been put on the table. I'm going to ask the panelists to just – I've got a couple of questions for the panelists, or we can just – we can have a conversation, then I'm going to open up for – to a large audience. Susan.

SUSAN REICHLE: Great. Thanks, Dan. Thanks, everybody. I guess I'm batting cleanup, but it's just great to have this opportunity for this discussion. Just by everybody's participation here, these incredible comments, it shows how important it is that we do this, that we have a continual dialogue around these issues. So I'm going to try and not repeat some of what my colleagues already said, but I did want to start out just broadly on how much the development ecosystem has obviously changed and to make a couple points because they're really critical to us within USAID and working with all of you, and it's about the global trends.

And just to give you a sense – you know all the data, I'm not going to repeat Susan and how many countries signed on and what that was all about – but today, for example, I spent 2 ½

hours with our colleagues over at the Indian embassy who just wanted to talk to us. They're in 161 countries. They are investing \$2 billion within Afghanistan. They wanted to learn from us. So how have you done development within the United States, not just USAID? Tell us the history of development here, how, starting back, I mean, even before the Marshall Plan and walking through and the different – you know, different trends that we went through from project assistance to nonproject assistance to, obviously, the importance of policy, to strategic planning and evaluation, we've learned a lot as a community.

But I highlight that because I think it just – it's probably very similar to the days everybody in this room has. You're meeting with people who are engaging in development, whether they're students or whether they're folks on Facebook or whether they're the private sector who never even thought about engaging in development, but all of a sudden they were on a business trip and they saw what was happening in Cote d'Ivoire or in another country, and they want to engage somehow. So I think it's a great opportunity in this new landscape to share our expertise and to share our experience as we move together as a community.

But what I'm going to try and do very briefly is walk through, I think, some of the points that were raised. Dan had asked me to, and I'm happy to do it, to talk about a bit of what not only is in the paper, but also the paper was written several months ago and a lot of progress has actually been made and – moving forward.

So I think – first one, IPR: I completely agree, and many of colleagues in USAID would agree, that the name, implement procurement reform, was not probably the hottest name to choose, the most – best description of really what it was we were trying to achieve from the start as part of the USAID reform.

So one of the things I want to highlight, also, USAID Forward, as all of you know, is a very broad agenda. This is just one part of the agenda. The agenda came from the career staff. It was before the political staff ever walked into the door of USAID. It was during a mission director's conference that we had in November 2009. Dr. Shah had not even been confirmed yet. And so it really came from us. And we didn't like the way things were going, from everything – from talent management to obviously how our procurement system was working, which is hence the name where it came from, to that we lost policy authority, that we lost budget authority, that we knew we needed to be doing better, you know, across the range. So just to highlight that.

And as a result, with the IPR named and then with the target, the 30 percent, I am still amazed that maybe we have not articulated as clearly as we should have that this was not a – this is not a Washington-driven target that every country in the world must reach 30 percent by 2015. Let me repeat that: Every USAID mission where – around the world is not bound to meet a 30 percent target by 2015. It was determined – it's been determined within each USAID mission what is the appropriate target in order to be working with local institutions. And so it varies country to country.

And we specifically did that because while the 30 percent target writ large was actually discussed based upon some analysis that was done about 2 ½ years ago, going through tens of thousands of files to say how much is going locally, how much is going internationally, and

that's where the target came from. It was not pulled out of the air. But it really has been up to each country, each mission director, to say, here is what we think we can do. It is testing a hypothesis to move forward on.

Second, particularly government to government, that is decided, again, very much by the mission, by the mission director, and there are many countries around the world where the target is zero for government-to-government assistance. Give you another example of – we were talking about the importance of governance and leadership and change agents as we all work around the world. We know we can never really – it's not us, as we all say, who does the development. It's our partners who do the development. And that very much depends upon the leadership. In Malawi, prior to President Banda becoming the president, it was very clear that there was no way we were going to be working directly with the government in government-to-government assistance. Soon as she came in, she made public financial management a high, high priority. And so have we gotten there all the way yet? Absolutely not.

And this is another point I want to make, that it is – I think at some point in the paper, it talked about giving organizations that are woefully unprepared or largely incapable. All of you as our partners know from receiving our assistance, you cannot receive U.S. taxpayer funds unless you pass certain financial management tests. And so, for example, in government-to-government systems, many of you know about the public financial management risk assessment that is done, the PFMRAF, or another great acronym to put in there. We conducted 33 PFMRAFs globally. (Laughs.)

And what this does over a two-week period is sits down, goes to the country, a team goes to the country – I'm glad to see Tom Briggs (ph); I'm sure there are others here from the team – who go out to the country to sit down with other donors, sit down with the government, sit down, obviously, with our team, talk about whether or not we can work and really get to that next step of even analyzing which ministries – that's the second step. It's not, you pass the kind of financial management risk assessment and then we write the check; no, the next step is then, here are the ministries maybe we could be doing some work with, and then another team goes out there.

So I just want to leave the impression that – I hope that all of you can, you know, see this more – and we understand that we need to get more of this out onto the Web so that you see the analysis that is going on before we engage, particularly in government-to-government or local assistance.

Also, while the focus of IPR has been so much on the procurement side, it's really important, as we've been talking about, capacity building is everything we do from the strategic planning that we're working on with the country to the project design to evaluating what works and what doesn't work before we ever get to that stage of entering into that partnership.

So while this has been an ambitious agenda, I would also just caution that we are just getting started. We have not been able to go as far as we want to go. We will have a progress report that will be coming out shortly. We're just collecting a lot of data from the field over the last two months on how we have been doing against the targets. These are aspirational targets,

so when you hear about the globally – the 30 percent or you know your individual countries, this is what we aspire to achieve. But we recognized, just as all of you recognized, that this is really hard, this is not something that is just going to happen overnight.

So as the progress report is developed over the coming months, I think that's a real opportunity for another chance for dialogue about where have we been making some really – a lot of progress on this agenda? And then where do we really need to either double down, or where do we now need to really step back into the learning agenda and saying, this isn't working, this is maybe – we've gone down this path, and we're not – less successful. So we welcome that dialogue with all of you.

Getting to the learning agenda, one of the things Dan I think mentioned was our work with the Overseas Development Institute. And this was something coming from the Policy, Planning and Learning Bureau that we felt was very important in this agenda, partnering then with ODI to really look at our experience. And many of you participated in the Experience Summit – I see Emmy (sp) over there, one of our speakers. We did an Experience Summit where a lot of data was pulled together and papers were written, experience was shared from decades around the world – and to really look at what have we learned. And just some of the findings from the ODI papers – I hope you've seen – I think Dan referenced them and passed them around, as well as I have. But this requires –

MR. RUNDE: We can – we can also get it, and we can send it to all the folks that attended the summit.

MS. REICHLER: That would be great. And that's the first set of papers.

And, you know, one of the findings – this really requires a change in mindset; I think we've all talked about how the – clearly, the global trends, and how much the ecosystem has changed. But our mindset has to change, meaning hours within USAID, within Congress, within places where we've always demanded quick results, being able to demonstrate – and this is a change in mindset; capacity building doesn't just take years, it takes decades, as we all know. That measurement is harder. And as one of – Dirk Dijkerman, who participated in the Experience Summit, said, we need to trust more, but verify faster – that feedback loop, that constant learning that we often do in the field – and it's very hard back here in Washington to pull that feedback together as we move forward.

The importance of governance and transparency – if we're going to use their pipes, we better well have that information, that data out there. On the – on the public financial management risk assessment, for example, as we are doing these – the GAO recently audited that; they did not have one recommendation. So I think that shows, again, how diligent we're being. But it really does require that governance and transparency, as we move forward.

Third – fourth risk, the importance of really being very realistic about what we can do in our environment. I mean, again, just sitting down with my counterparts from the Indian Embassy today, their risk environment is very different – (chuckles) – than our risk environment. We're now engaged in Phase II with ODI – again, to get back to the learning agenda – we've just

conducted field assessments, ODI has, in Liberia, Uganda and Guatemala. Those reports will be available shortly, and we'll also be just having a public event to discuss them. And then Phase III, working with ODI, is again, what are the risks associated with different modalities and different donors? It's – we've talked about, in Busan, no longer being – avoiding risk, but how do we mitigate risk. And so again, as a development community, having that dialogue.

The Experience Summit, we will be getting the report out very soon, hopefully by the end of the week. I just reviewed a draft of some of the summary findings that again will feed into, I think, something that, you know, Paul, I'm glad you've really insisted – appreciate your support – but insisting on the vision and the strategy. And one of the things coming out of the Experience Summit was the recognition that we really need a policy and program guidance moving forward. We're framing this as country systems strengthening. So IPR is the – a modality, but looking at the larger country system, and the country not just being government-to-government. Often people, when they hear "country system," they say, oh, well, they're just talking G2G. No, it's the entire ecosystem, again, involved in that. So working just as we did on the resilience policy, really engaging everyone in that process as we move forward.

And then finally, just to conclude, on the communications side. We readily admit that the communications on this agenda definitely could have been improved. And I think – I hope you saw a real shift last fall, as the administrator and the deputy administrator did many more events, meeting with the community in smaller groups, to talk about some of the concerns that were raised and to also, most importantly – and I'm glad Kate Bunting is here from our public affairs division – to really reframe it in 2013 to move forward so that we have regular dialogue using everything from ACFA to separate partner meetings – I've met with many of you in the room; you know, we have partner meetings in PPL every other month on different themes. I think the IPR event probably had the – (chuckles) – greatest participation. But it's really to keep that dialogue going and to really talk through the issues. But also, as we're framing our vision, our policy guidance, we need your input. We're not always going to agree, but at least to have that dialogue so you understand why we're moving in this direction and perhaps not into another direction.

So again, thank you, Dan, for hosting this today. And just look forward to the dialogue and the questions.

MR. RUNDE: Let me – let me make some quick comments based on what I heard, and then I want to open it up here briefly for some interchange among the panelists. But CSIS was happy to propose improving communications for AID. I'm glad that that's happening. We – I don't know what credit we can take for that, but I think we – but I think it's been noticeable, sort of an improved engagement over the last several months. And I think that's great.

I think – there are several challenges, though, I think, to the current policy that – in terms of the direction that AID is taking that hasn't been yet – been mentioned yet – that are talked about in the paper but haven't been yet – been mentioned in the panel. I think the first is that we're operating in a political environment, and that if we expect that the Congress or the American taxpayer is going to accept a 15-year timeline for the sorts of outcomes that we want because we're going to go through local organizations or governments, which is oftentimes what



either Paris is asking for or sort of the conversation that I'm hearing here, I think we're – that we're terribly mistaken as a community. And I think that there's been some sort of – it's almost that it's divorced from sort of a political reality that we're facing for us to say, well, we're just answering the mail on Paris, Accra and Busan, but just give us 15 years and we'll get it done.

When PEPFAR and when MCC was faced with this moment of truth, they chose to do it in a fast way. They ultimately – they – there are many folks who now complain about that process, but they ultimately said, we're going to go with a parallel process because we do not have the luxury of waiting 15 years. And I don't believe that – in this political environment, that we're going to be able to go to the Congress or to the American people and say that we're going to have 15 years. So this is the first point I'd make.

The second is, what hasn't yet been talked about is the issue of accountability. One of the reasons we have this system is when there is some sort of corruption – and it's going to happen; we've talked about this in this panel – there is some form of sanction. And it's often not talked about in the community, but there are things like organizations are shut down; there are fines; people don't do lunch in this town again, frankly, in terms of there are sorts of shaming sanctions that people don't discuss, but there are.

And so if someone's going to tell me that the low – the health minister of Malawi, if there's some leakage in a health ministry in Malawi or there's some leakage in an agricultural ministry in Kenya and that we're going to put an Interpol search out on the minister to say, please can I have my money back, I think it's ingenuous to think that the – I think, that the Congress is going to accept that.

I think it's – my concern about the moving at 30 percent is that it's going to put the entire – and Paul raises this – that's going to put the entire development project at risk, that these sorts of – these sorts of – the reason we have this ecosystem is that we have the ability to be able to say, I've got a scalp, I ended XYZ organization, I fined XYZ organization \$60 million, so-and-so has gone to jail. It's very difficult, if we're going to say we're going to work through local organizations, in addition to the time issue, to have the same level of accountability.

And I think – in this environment, I think it's going to be a very, very, very tough sell to say, well, look, you've got to understand, we've got this thing called Paris, Accra and Busan, Mr. Congressman, and you need to understand that, you know, this stuff takes a long time. I think it's disingenuous, and I think we are deluding ourselves as a community if we think that that's going to fly. And I think – I think it's going to be a problem, and I think that the organization – (inaudible).

The final thing I want to say is there's been a bipartisan consensus on the Development Leadership Initiative. We increased the number of people under – starting with Colin Powell – and under Secretary Rice, under Andrew Natsios, under Henrietta Fore and under this administration, there's been a bipartisan consensus saying we need to increase the cadre of competent people. No one in this audience is going to disagree with the fact that we need a competent level and a highly trained level and enough people within AID to actually policy dialogue and to deliver.

My belief is that there is going to be a strategic choice. If we go to this 30-percent level, my concern is that we're going to divert all these – this hard-won number of employees that we've gotten to do small number of many teeny – teenier grants and a high level – a higher level of grant baby-sitting that has the look at feel of OSDB, of the Office of Small and Disadvantaged Businesses, for local NGOs in Bangladesh or local for-profit organizations in Rwanda – because I think, Susan, you're absolutely right; you – there is absolutely a high level of bureaucracy and difficulty, especially if you're some local organization that doesn't, you know, speak English as their first language, to answer the mail on, you know, XYZ, RFP or RFA.

So I think there is – I think it's wonderful that we've had this discussion, but what – I want to make sure that we've put on the table that I think we are deluding ourselves as a community if we're not facing the fact there's a broader political reality. And I'm concerned that if we go down this road of 30 percent and that – when the first scandal happens, my concern is also for the folks who are contracting officers and for the folks who are career folks, whose careers are going to be on the line. And I'm concerned that some of the political leadership that may have been pushing this may not – you know, may be long gone when this happens. There's a tail – there's a tail to this stuff. This stuff will take 24 months, 36 months, 48 months.

And so it'll be easy to say, well, we had a wonderful policy, but the – you know, the career folks implemented it poorly or that this is a – so I think there's a – I think these are – these are real concerns, they haven't been put on the table, but I think at least – I can't have this public forum without at least putting this on the table, because I think these are – this is for real, and I think we are – we are – make – going – there are going to be serious political consequences for the 150 account and serious political consequences for the development community the first time that it hits the fan, when – the first time money goes to condos in Cyprus because we were answering the mail on hitting – you know, hitting our targets on Paris, Accra and Busan. I'll stop there.

MS. : Great.

MR. RUNDE: Responses, please.

MS. REICHLE: Well, may I start?

MR. RUNDE: Yes.

MS. REICHLE: (Chuckles.) Since I finished last, I mean. (Chuckles.)

Thank you. No, thanks for putting these issues on the table – absolutely critical, as I talked about the political environment that we deal in, which is why we are having ODI focus on that, and the risk assessment is a critical factor. So we absolutely agree that risk is key, and we have to address it, and we need to strategize behind it. And we need to inform not only Congress but most importantly the American taxpayer about why we do this and what the risks are.

And so we feel very confident, I should say, that we're addressing this, and we – we're not ignoring it and not talking about the sort of the elephant in the room moving forward.

And frankly, it's coming from the career staff. I mean, again, you know, you talk about the DLIs not wanting to do, you know, small grants management. You know, more than 20 years in the foreign service – the most fun I always had was working directly with local organizations. It's hard. It's painful when you're there till like 10:00 at night and you're trying to help them think through their organizational structure, and really the executive director wants to do nothing more than, you know, human rights in the country. Why do I have to think about these things? But as a development officer, that's what development is. It's not – you know, it really is working directly.

So I think, you know, there's a sense of embracing this opportunity, and I see that in our new officers. They don't want to be behind, you know, the – unfortunately our fortresses that have now become our homes overseas.

And again, one thing I didn't emphasize during my talk but that is on the 70 percent. We spend all this time talking about an aspirational target on the 30 percent, but let's not forget that the vast majority of the resources will continue working through our traditional partners. And you're absolutely critical, as you always have been, in the ecosystem, in order to ensure that accountability, because, again, we don't move forward with local organizations or, God forbid, government-to-government unless they've passed many assessments. And that's why we depend on all of you. And you better be seeing this in the RFAs and the RFPs going out, and I know you're not seeing it enough about the important work that you do on capacity development, because we know that is not us. We don't get there until later down the road. We're doing it with you, but we depend on you to do that.

And so, you know, again, our dialogue with the Congress has actually been very positive overall, and we talk about these issues with them, and we're trying to dig in deep on what we can learn and what risks we're taking as we move forward.

MR. RUNDE: Other comments and responses?

(Off mic) – Paul.

MR. O'BRIEN: So I think your –

MR. RUNDE: (Off mic.)

MR. O'BRIEN: – that last exchange really important, and Dan, I think you're right to underline it and to force us to have an honest conversation about that.

I'll tell you where I – I disagree about the 30 percent thing. I believe that we can align the incentives in our industry, in the way that you talked about, understanding where people are getting their finances from, where it becomes in our interests to be the kinds of transparent and accountable that Congress needs.

Here's a – here's a point that sort of stuck with me as I did some thinking before this. The same donors that have been investing in local systems for longest are far and ahead on IATI measures, the number one and two transparent donors, and it's not that they're more farsighted or visionary. It's that they have to. Their incentives are aligned. You can't invest systematically in risky local institutions unless you can explain to a whole bunch of constituents where your money's going and how it's being spent and what results are being delivered.

(USAID/U.S. aid ?) sits at 27<sup>th</sup> on the transparency index from Publish What You Pay. It should be number one. Transparency's a fundamental value of everyone in this room, and yet we're behind. We've got to align our incentives so that we have to be transparent. We've got a Congress that's hungry for it. How come we haven't aligned our incentives?

That's my key point, is – Dan's absolutely right. If all we think about is some platitudes from Busan and Paris and so on, we won't get there. But if we make our machine focus on rewarding results, rewarding success and getting back to what is fundamentally our comparative advantage – and I'd just say three words as our comparative advantage – I think, if we think about it, we'd be better at governance than anyone else. If we think about it, we'd be better at transferring – sorry – transparency into genuine accountability, not for Congress but on the ground, because, in the end of the day, the reason we're doing transparency is to help build cultures of accountability.

And I think – and I can't say that – not say this as an NGO person – the whole idea of active citizenship, of people lifting themselves out of poverty by their own economic actions but also by their political actions in holding their own governments accountable – that's a profound idea from this world, and we should be the best at all three of those.

MR. RUNDE: Just other comments? Asif or Tessie?

MS. SAN MARTIN: Well, just to highlight one thing that's been said – and Paul underlined it – is, look, I mean, I think we need to change the conversation with our donors. I mean, development is a risky proposition, right? So for us to – for anybody in the community or any donor to say, we're going to absolutely – you know, I give you X, we're absolutely going to deliver Y, you know, and to encourage that type of thinking and to continue that conversation even with – you know, with Congress and so on – that's also a little – you know, that ends up biting all of us in the behind, you know.

MR. : Yeah.

MS. SAN MARTIN: So you know, we need to – we need to be more forthright.

And actually it's interesting, because I spend more time now talking to – from – in my organization to our individual donors, and when I tell my staff, well, I just think we need to be, you know, more forthcoming with our – with our individual donors, they get all really nervous. They say, well, I don't know, you know. You know, they really want results.

And you can – you can be talking about results and not guarantee, you know, that you're going to get these outputs in this format at this stage. And I – and honestly, when you sit down with donors, I think they understand that. And I think generally people are much more sophisticated than what we give them credit for. And we've overly simplified the conversation about development, and I think that that is hurting us, and especially now, when we start talking about things like ownership and capacity building, which are really riskier propositions, for the most part; that really are longer-term. So –

MR. RUNDE: Asif.

MR. SHAIKH: Thanks.

Three very quick points. I want to endorse Paul's comment about attribution. Some of the greatest successes I've seen are ones where you cannot in fact attribute it to – and we have to be careful about attribution, because often we go for project success, rather than development success, and it's a complex thing that concerns our own financial welfare. But I just want to endorse that.

Secondly, we haven't talked about something that's going to become increasingly important and will affect all of the things that we're talking about, and that's over the next 15 to 20 years we're looking at half of our exports today go to developing countries and that percentage is growing three times faster than our exports to developed countries. The relative economic weight of the U.S. in the global economy is going to be far smaller in 20 years than it is today. And in that world it's a world of competition and it's a world of interdependent prosperity.

So at some point, whether it's 15 years, 20 years, 30 years – I don't think it's 30 years – we're going to be looking at a world in which there's a small number of aid recipient countries and there's a number of trading partners with whom we engage, and we need to think differently about we address all of that.

And the final comment is, Tessie, I'd like to talk offline about the elder statesmen comment. (Laughter.) How do I really know that Paul doesn't have more gray hair than I do? (Laughter.)

MS. : I can see it. I can see it. (Cross talk, laughter.)

MR. : Right.

MR. : OK. This was all civil until this point. (Laughter.)

MR. RUNDE: This is all – it's all gone downhill for the – I want to – I want to – there are a lot of thoughtful people in the house who have been very patient. I want to bring them in. Please raise your hand. I'll call on you. I'm going to bunch questions together, a la World Bank style. I'm going to start with Fred Shek (ph) up in the front and then Ned Breslin (ph) as well as the woman back there, those three. We're going to do this World Bank style, so we'll bunch

them together. Go ahead, Fred (sp). And everyone can keep their comments – if everyone can keep their comments pithy, we'll get to a number of rounds of these.

Yep.

Q: I was going to go on for an hour.

MR. RUNDE: Oh, my gosh. (Laughter.)

Q: It's been a great discussion. Dan asked me early on to have a look at the paper. And I must – and I was saying, at last, there's an outfit that's going to come after this way of working that we've been doing in AID. And I was disappointed when I read the paper because it didn't go after it. It tried to defend what has become the status quo. I might say that my first 25 years in AID, I started off as a loan officer, and by definition, if you're a loan officer, you made loans to countries that implemented the projects. You transferred resources. This is what the World Bank does. This is what the Inter-American Development Bank does, the Asian Development Bank. So this question of accountability is important. But I would argue that we devise strategies and mechanisms to track the money. And we were on top of this thing all the time because we knew exactly what could happen with the Congress if the bad reports all came out.

The reason why I think it's – this initiative of the 30 percent is so good is because it makes development sense. We need to work with local organizations, whether it's government or NGOs, private sector. It's very important that we engage with them. There's something called policy dialogue. We have to be able to talk to authorities, to people who are making policies in their countries. And we would try to even influence those policies from – we did – in Latin America, we did budget support loans to try to get economic policy changes.

With that – I'll end with that because there's a lot that can be said on all this, but I think the direction the agency's moving in is the right one.

MR. RUNDE: Thank you, Fred (sp).

Ned (sp).

Q: Paul Miller, Catholic Relief Services. (Inaudible.) Great panel. Great job. Two quick editorials. Using RAT, for results, accountability and transparency, as an acronym – also maybe not the best there. (Laughter.)

MR. RUNDE: It's very offensive to rats, right? (Laughter.)

Q: And if you want to rat out – if you want to rat out things – exactly. But I just wanted to, first of all, again, compliment the panel. I also agree that it's really good to focus on the 70 percent as well as the 30 percent. So I would agree with the people who said that.

I wanted to follow on Tessie's really important comments. You identify part of the ecosystem – most of the ecosystem in this room as perhaps the implementing partners. But I

think we really do need to look at what's changed. And part of the implementing partners are also advocacy partners or advocates. They are also donors – according to the Hudson Institute, 5 (billion dollars) to 10 (billion dollars) to 15 billion (dollars) from NGOs, faith-based, universities. And so both for the political challenge that you and Paul, Dan, have mentioned, as well as for the learning and for this tiny – tiny minority shareholders is what Asif said that we'd become in terms of aid. So is – should we just go and do our stuff separately from the U.S. government? How do we work together? I know you didn't have time maybe to talk about that in the report, but there's just a tiny mention on Page 5 of this whole other part of the ecosystem, which is not about getting money from the U.S. government.

MR. RUNDE: This woman here. Yeah.

Q: Hi. I'm Connie Freeman. I'm currently with Syracuse University. I guess I'm going to join the first two speakers in lending my voice to support for the 30 percent. After retiring from working for the U.S. government – so that ages me appropriately with the gray hairs – I spent 10 years in Nairobi, Kenya, as the regional director for IDRC, the International Development Research Center. That's Canadian. And they have a rule that you must spend at least 20 percent on Canadian organizations, or Western organizations, because the other money all goes to local organizations. In fact, it is one of the benchmarks of IDRC. And they've been doing this in research for development for over 40 years now.

Now, having been the regional director and needing to implement this policy on a regular basis, and accountabilities that went with it, I'm here to tell you it's not always easy. And so in my office, we instituted an extensive program of capacity building for organizational skills, which was new, because IDRC had done research skills for a long time. And this is a whole different area, and it's a difficult area, but it's well worth it because then the project is firmly rooted in the local environment, especially if the local organizations have chosen it. Anyway, thank you for letting me say my piece. And I support the 30 percent. (Laughter.)

MR. RUNDE: OK. So quick responses –

MS. : (Off mic.)

MR. RUNDE: Yeah, you can – that's right. There's – we are the 30 percent, right? Those are – (laughter) – OK, so – that's – there you go. That's right. OK, so just some quick responses. I'd – maybe Tessie, you might respond to the second question about the nonprofit ecosystem in particular and how that's evolved. And as a donor, if I could – Tessie, if I could put you on the spot about that one. But very quick comments from the – but Tessie, why don't you start first with that second one, and then folks have reactions to the other – first – number one and three.

MS. SAN MARTIN: No, I mean, I have very little to say. I mean, I agree, that's a whole other – that's a whole other area, because we've been focused on just partners in implementation, but in fact, there are all kinds of partnerships that are – that ought to be leveraged. And again, by just focusing on implementation, I think we're missing a lot of the richness. So I'll leave it at that.

MS. REICHLE: Actually, if I can use the example from Busan, I think what was so important last year is that the partner community was really part of the delegation. Those of you who were part of that, there were meetings every single night. You were part of the entire process as a – and I have to say, I think that was the first time that it happened to that level. Before, we had consultations, but this was – really, we depended on you because of the advocacy (and at the table ?).

The other point I just think you make is so important, Connie, is about capacity-building skills, because one of the things, as we take this on very seriously as our mission in USAID, we're having to learn a lot of the skills that you all have in the partner community. And so we've talked about that, and particularly with 50 percent of our foreign service staff having less than three years in the agency, it's a huge opportunity as well to really help them develop those skills as they're working more directly with organizations. But our role is changing as well inside.

MR. RUNDE: Can I just stop you there on the second – Susan, on this issue of local capacity building? I mean, isn't a lot of local capacity building already being done by U.S. partner organizations already through subgrants or through training or technical assistance? And if so, how is that going to counted towards this – if that's the case, why isn't that being counted as part of the 30 percent?

MS. REICHLE: No, that – exactly, and it's something we've talked about a lot internally. There's a tremendous amount of capacity building. All of the subgrants and subcontracts that go on through the partner organizations obviously is capacity building right there, and it's contributing in many of the cases, as you know – I mean, 99 percent to a hundred percent of your staff are all local. They may be even registered locally. And so it's one of the things that we're looking at. Right now, no, they do not contribute towards that target, but recognizing that as a separate component – a very important component of development as we move forward on that. And then the other point is just, with the capacity building, that we really do depend, again, on all of you not only to be doing that, but how to communicate that, because that's often not – that's not what you're given the points for or the rewards for, and that's what – you should be seeing much, much more through the process that that is valued just as much, if not more than achieving the technical results that are outlined.

MR. RUNDE: Let me just put Tessie and Asif on the spot for a second in terms of, OK, well, I've got this changing rules of the game; going to move to 30 percent local. Why can't I just create IRG Bangladesh and go ahead and answer the mail, and PriceWaterhouseCoopers has a hundred partners all over the world. We're going to put forward the Kenyan affiliate for PriceWaterhouseCoopers. That – I'm the contracting officer that somehow answers the mail, or I'm Plan USA and I've got Plan Philippines, and I'm just going to do that because this seems to me – it's sort of a – this is – if this is how AID is going to go forward with this and if I've got all this local capacity, why – you know, it seems as if there's some – there's some – there are some tricky issues, let's call it, in implementation. But let me – I want to get Tessie and Asif's take on that – on those two scenarios, if you will, in terms of answering the mail and the 30 percent.



Tessie, why don't you start and then – (off mic) –

MS. SAN MARTIN: Well, I mean, look, I guess it depends what your objective is. My view is and our view is that the objective is sustainability and this broader – Carol said we haven't really spent a lot of time discussing ownership. But at Plan, we do – we do spend a lot of time discussing ownership because it's part of our sustainability, you know, objective.

And so then the question is not, you know, should we be, you know, creating local plans? For the most part they're not – they're branch offices. We do have some local offices. But in every case, our objective isn't to capture more or less funding. Our objective is to promote a sustainable development agenda. So from our perspectives, that question really is not the right question for us, it's not the question that we – that we ask ourselves. It's not that we haven't debated it, but we come back to what's our objective. And if it doesn't meet the development, you know, agenda of the country in which we're working, then it doesn't make any sense.

MR. RUNDE: Let me get Carol in here.

MS. LANCASTER: I think maybe Asif should go (first ?).

MR. RUNDE: OK. Asif, go ahead, then Carol.

MR. SHAIKH: It's an interesting question, and – either one is good. In the current set of aid rules, we in fact have an IRG India; it's called IRG Systems South Asia. We have IRG Philippines. But they don't qualify because the rules sets are that it has to be at least 75 percent owned by nationals of the country, and all of the leadership and the board or the majority have to be nationals of the country. IRG India, for example, is run entirely by Indian nationals. It works largely for the government of India. Ironically, it can work for the Dutch government, for the British government, for the French government, but it can't work for the U.S. government.

MR. RUNDE: So – (inaudible) – so if they – that wouldn't count for the 30 percent, the IRG India.

MR. SHAIKH: It wouldn't count for the 30 percent.

MR. RUNDE: Right. OK. Well, maybe that's –

MR. SHAIKH: I mean, there is something to be said on both sides of it because you don't want to just create, you know – so I'm of two minds about it. I think it works.

MR. RUNDE: OK. Carol.

MS. LANCASTER: Well, I think I'm probably going to make a(n) irrelevant comment, which I of course never do. I feel like I've parachuted into a conversation that is some ways familiar and some ways not. If we could – if we could agree, and I think we all do, that dealing with local entities is a good thing – because it could be, assuming they have the capacity, more effective, less expensive and so on – if we could agree to that, and I think many people would; if

we could agree that capacity building is an important thing for us to be doing, and – so far as we can, capacity building in foreign governments and in NGOs; if we can agree – I think we do – that governance, that quality of governance makes a huge amount of difference because capacity has a hard time surviving when governance is really poor and we are – funding is not being used very well; if we can agree that we're accountable both to our local partners and our own government, which we must be, I think; and if we can agree on what I think I heard Susan say, that the 30 percent is sort of notional at this point –

MS. REICHLE: No. No. Aspirational. It's something that –

MS. LANCASTER: Or aspirational. It doesn't mean it has to happen day after tomorrow. If we can agree on all that, I don't see what the problem is. I think – (laughter) – I don't see what the problem is. I'm sitting here thinking, what is the issue here? Now, maybe the 30 percent has become such a focal point that some people are worried about accountability and effectiveness and scandal. Other people are worried about losing the funding they might have had, the 30 percent weren't there. But I'm not sure the 30 percent hasn't really blinded us to what may be important.

Now, as I've started out as a naughty person not answering Dan's questions but talking about something very important, which is, what is all this going to look like down the road – in some sense, this little debate might be informed by that, not that we have the answers. As I've mentioned, the ecosystem is changing. It is changing. It's changing in ways we haven't even mentioned, or maybe we've mentioned in passing. The dynamic part of this ecosystem is not represented here, as far as I can tell. It's Coke. It's Coca-Cola. It's Wal-Mart. It's those folks who want to do double and triple bottom line work. It's not huge yet, but it's going to be huge. How do we engage that if we want to? It is the evolution of technologies, which completely changes the way all of us can operate.

And then I think there is one issue, haven't mentioned so far – fast forward 10 or 20 years. If Raj Shah is right and we can pretty much get rid of desperate poverty by then, what do we do? Well, it seems to me we do adjust. And what we're going to adjust to, I suspect, are other issues of importance to us and to the rest of the world. Climate is going to be one; we're already adjusting to climate. We're going to want to put money behind activities that we want other countries to do, and they may not necessarily want to do them or be able to do them. Energy, perhaps. Water – everybody's worrying about water, and by golly, it's becoming important. And so in a sense, if that's right – and I don't know if it is – those are the big questions that we need to deal with. I don't get the 30 percent as being that fraught an issue, but I'm sitting – I'm sitting here from Mars, and – or someplace, and I'm parachuting into this, but this – I'm confused. I'm sitting here saying, who is really punching whom? I don't see it. Sorry.

MR. RUNDE: That's OK. (Laughter.) OK, let's get three more – let's get three more questions out. This woman here – let's see – who else? This woman here – OK, go ahead, please.

Q: Hi. I'm Siobhan Green from Sonjara, women in small business. And I did not hear much talk about small businesses. I know that one part – a big part of USAID Forward is also the increased number of small businesses, where they're supposed to be used by USAID, and one of the issues, of course, is that FAR 19 does not allow small business utilization to be counted in the SBA numbers. And I know also, just hearing among my small business colleagues, one of the concerns – those of us who are not big enough to be prime contractors overseas, we get into the development field, we get our experience through being subcontractors.

And what we're finding – and again, this is all anecdotal – is that we're being replaced with local capacity companies. Now, I also know, from my larger colleagues who are not small businesses, yes, there's the 70 percent, but 65 percent of that 70 percent is cooperative agreement. And then of that remainder, a lot of them are supposed to be small businesses.

So it's – there is an issue, again of, well, we've got our business models that are based in certain ways. And my final comment also, in terms of small businesses – you've made a very important point about capitalization. Why is it against U.S. government interests for me and my company to own an office in Dakar? Why is that a bad thing? Why is it not a good thing, especially in this world of international global connections, to allow that kind of trade relationship? And again, I'm bringing in my own funding; I'm not necessarily bringing in funding from the U.S. government, but maybe U.S. government can play a role in terms of helping small businesses and seed capital partner with small businesses overseas. Just a thought to throw out there.

MR. RUNDE: Thank you. The woman over there.

Q: Thank you. My name is Fouzia Saeed; I'm from Pakistan, and I'm a fellow at NED here. I will just make two brief points. Coming and speaking from my work of about 30 years on the ground, I just want to introduce this concept of credit – credit not meaning loans, but taking the loans of development, and I want to make this point that over the decades, I have seen the development agencies, maybe implementing American agencies or INGOs et cetera – they used to be more empowering, and now, maybe the competition is so starking (ph) that they do a little bit of capacity building, and then they want to brand it and take the credit for everything that organization did in the last 20 years, and they want to put flags and they want to advertise through their communication strategies and very expensive people, and on the YouTube, et cetera.

So what I have seen gradually is that something that was supposed to be empowering is turning into a very disempowering experience on the ground for us, and I think that if there is less funding – not that I am totally with the 30 percent or whatever, but this competition is doing strange things to these organizations. And I include INGOs also, which were more attuned to the development agenda, that now they want to do capacity-building, invite you to a conference or a workshop, and then they want to own you for the rest of your life and own your work.

And just one more point I want to say is that these values that you have mentioned, Paul O'Brien, again and again, I think, sitting here, I find it very strange, because I really don't want development agencies to patent these values as American values, because active citizenry is my

value too from my country. And maybe it is better to call them democratic values rather than American values; I do not know how you sell things to Congress, so you can use your own terminology, but the whole world gets very angry at this aspect – you know this patronizing thing.

MR. RUNDE: OK. Why don't we just get reactions to these very – and Susan, why don't I first ask you to respond to the small business comment?

MS. SAN MARTIN: Yeah, I – (audio break) – I'm sorry. I didn't go through all the elements of IPR, but I appreciate you raising that, because it's not just even the work was small business. Obviously, another core element of IPR is cutting back regulations, and we've been able to make some real progress along those lines as well as just on the competition. Betsy, I saw you here, and you wrote a blog last week and talked about the importance of competition, another core element of the IPR agenda.

And one of the things on the small-business agenda – and I think as we move forward on the policy guidance, it would be very helpful to have your input – is something I've talked to Indira (sp) about, about, you know, a small-business perspective working in the development community really has an opportunity to share, I think, that experience in a different way. And we need to really learn from that and then be able to project that. And there's nothing that ever, you know, the U.S. government or USAID should do to send a message that we don't want you to open local offices. I mean, obviously we find it tremendously helpful when your U.S.-based organizations have local offices. That way I think we all get our work done, so –

MR. RUNDE: I want to just ask folks – I'm just cognizant of the time. I promised to end this at 5:00 and it's – we're running short. Why don't I ask each person to – other than Susan to just give a – give a – giving a closing comment? Tessie, why don't I start with you? And maybe you could speak to this – I don't know how to describe this, this NGO ownership, the local – this – the comment that the – (inaudible) – from (Ned ?), if you want to start with that.

MS. SAN MARTIN: Yeah, thanks. So – and actually one quick comment on the small business. I do think that that's something that needs to be looked at more. The – you know, in the whole IPR discussion, my view is you do get lost in the shuffle. Having been on the for-profit side and the whole subcontracting thing, if you've got to meet the 30 percent thing and you've got to deliver on your gross margins, the thing that might fall out is your small business. So it's just something to keep in mind.

On the local – I mean, in another forum related to this whole effort, we talked – you know, I talked a little bit about what Plan's experience has been in terms of working with local organizations and the tensions that exist between our desire to create, you know, local capacity and our need to get something done.

I – and I acknowledge that, in fact, a lot of times when we're talking about – you know, when we ourselves at Plan – and we do a lot of work through local partners and provide grant funding to them – you know, what my experience has been is that, you know, we can end up co-opting those local organizations, right? So in the – in the name of creating local partners, what

happens is that they become very focused on implementing our agenda and they lose sight of their agenda. And I think, you know, that's one of the things that actually can happen.

I'm all for the 30 percent. I think that's a – that's a good goal. I agree with Paul; we ought to try to hold ourselves accountable, you know, to delivering that. Building local capacity is critical to sustainability. But thinking about how you do that and how you really end up doing what Asif said at the beginning, which is creating and enabling a local voice, that's the idea, you know, and you're not going to do it just by, you know, ticking the box on the 30 percent, and that's the part that needs to be figured out.

MR. RUNDE: Paul.

MR. O'BRIEN: Well, thanks. So for us – and I think for many of us here, but Oxfam's sort of way of thinking about this is development is more about influencing power than it is about transferring stuff. And so on that level, I profoundly agree with everything that you're saying. I do think that that realization is an idea that sits very comfortably in this country's history. It's – Americans don't think of themselves as waiting for other people's stuff. They just want the space to shape their own lives.

And – but you're totally right. It was a CSIS colleague of yours, Dan, that I think once said, no one likes the uncle who reminds you of how generous they've been each Christmas – (laughter) – and how they paid for your college education. You're totally right. We don't want to go out and remind everyone of our largesse, et cetera. But I think there's a way to be coherent with our core values and not have to tell the – and remind the whole world all the time that if they have it, it came from us, so point well-taken.

And just on that last issue of power, I just want to say, Dan, you have huge convening power in this context. You clearly have the power to understand what – when an idea has reached currency, and you created a very open space that you didn't have to create and handle some differing opinions with a lot of grace, and I just want to say thank you again. (Applause.)

MR. RUNDE: Thank you. Carol.

MS. LANCASTER: Well, I just want to say good luck, Dan, in pulling all this together. (Laughter.) I think we've had a lot of disagreement here, but I'm going to go away thinking about what, really – (laughter) – you know, I mean, I heard so many themes that are familiar, have been familiar to all of us, I think, over the years. And it may be that something new is under the sun here, the 30 aspirational percent, but I'm not so sure. Anyway, I think it's a good exercise. We touched on some of the big-think stuff. We got down into the weeds about 30 percent and other things like that. So I'm glad it's you all that it's doing the write-up here. Anyway, thanks for doing this, Dan. It's very good.

MR. RUNDE: Thank you. Thank you. Asif.

MR. SHAIKH: Thank you. Just a quick word. I think this discussion and this effort has been, to some extent, a booster rocket that helps change the trajectory of what we're talking

about and that eventually must fall off and allow the momentum to take hold. And I think basically Carol is right. That momentum is going to take us beyond the discussion we're in now.

I personally support the 30 percent just because it's on the right side of history. I mean, what's the worst that's going to happen, for God's sakes, all right? (Laughter.) But there are other issues at stake. And I think this helps move us towards those issues. So congratulations, Dan.

MR. RUNDE: OK. OK, everybody. Thank you all for being with us for two long hours, but I think we got a lot covered. Thank you very, very much. (Applause.)

(END)