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A Smart Power Approach To Global Leadership

Investing in the Future: A Town Hall on International Development

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PATRICK BRYSKI: Welcome to this program. This is going to be our Town Hall session for this afternoon. It's a town hall, "Investing in the Future: A Town Hall on International Development." As said, I'm Patrick Bryski with Deloitte Consulting. It's my pleasure to be here. Deloitte's very happy to be one of the co-sponsors of today's events and a proud member of the USGLC.

A few words about the panel: Our country's fortunate to have some of the most innovative and reform-minded development organizations in the world. And we're lucky enough to have four of them represented with us today. We're going to have the Millennium Challenge Corporation with us, the Overseas Private Investment Corporation, the U.S. Agency for International Development and the U.S. Trade and Development Agency to speak us with us.

They've been at the forefront of changing the way we do development in Washington, D.C. and in the United States, making reforms, implementing reforms, changing the way we measure impacts, in addition looking at not only a field view from each of their perspectives, but also looking at the impact of development in terms of jobs here in the United States.

A brief introduction of the panelists: They're all very, very well-known, so I won't go into great details on their backgrounds. Their formal bios are in the back of your book. Let me just add a warm welcome to them, and also to thank them for their service. They are great leaders in this area. They are leading the United States forward in terms of development. They are doing a marvelous job.

We will have with today Elizabeth Littlefield, the president and CEO of the Overseas Private Investment Corporation; Rajiv Shah, the administrator of the U.S. Agency for International Development; Daniel Yohannes, who is the CEO of the Millennium Challenge Corporation; and Le Zak, the director of the U.S Trade and Development Agency.

In addition, we're going to have a moderator here this afternoon, Mark Green, who is former U.S. Ambassador to Tanzania and congressman. He's now a senior director at the USGLC, and he'll moderate the session for us. And I'm sure he'll do a very good job, and I think we've got an outstanding panel for you this afternoon.

So please join me in welcoming our panelists. They'll join us now and get the program rolling. Thank you. (Applause.)

MARK GREEN: Well, thanks, Pat, for that kind introduction. I am pleased to be able to welcome our panelists here today. Each of them leads an agency that's probably obscure to many Americans and unfortunately obscure to too many members of Congress, but who in the developing world is making a crucial, even life-saving, difference. Each agency has a unique role in development, and each provides a tremendous return to American taxpayers in terms of what it contributes to our economic growth. And in those parts of the world where they're all operating, well, it represents in my opinion American leadership at its best.

Now, I'm fortunate enough to have been able to see this first hand. As Pat mentioned, I served as ambassador to Tanzania. But when I did, I saw MCC funding vitally important road, water and energy projects while USTDA was promoting development of information technology projects throughout East Africa. OPIC was providing financial resources, from microfinance to small business lending. And USAID was leading the effort to combat AIDS, malaria and other threats to Tanzanian families and to Tanzanian economy.

Each of these agencies has made a huge difference overseas in a complementary role they play. But since I've come back to the states, what's been very clear to me is that each plays a unique and complementary role in terms of economic growth and job creation back here. And it's really that last point that I'd like to be able to explore today. I'm going to ask each of our leaders a specific question, then I'm going to toss out one or two broad-based questions and see if I can't spur a little conversation. And then I'm going to turn to all of you, so I hope that you're busily writing down your questions. And then we should get a question or two from Twitterdom, as I'm told that it's called.

So let's get into it. So first question is to you, Director Zak – sorry – Director Zak. You know USTDA helps companies create U.S. jobs through exports that support development projects in emerging nations. And so as I look at your mission statement, you really have a dual mission. You have the development mission overseas, but also a development mission back here. How do you link the two together?

LEOCADIA ZAK: Thanks very much, Mark. And, Mark, I want to start by thanking you in your role as ambassador because I don't think any of us could do the job that we do without the support from the embassies, and you were terrific in your role. So I want to make sure that that's acknowledged and thank you for that.

USTDA does have a dual mission by statute. And it fits together extremely well. I mean, one of the very important things for development is infrastructure. And one of the things that USTDA does is focus on the development of infrastructure in-country, in particular focusing on areas like transportation, ICT, energy and the environment. These are the exact same areas that the U.S. is extremely strong in. So it makes a very nice link with the U.S. business community at the same time. And it makes for a very nice mutual benefit between the two.

And as a result, we're able to use our development dollars – for every dollar we expend we bring back $47 to the U.S. economy through exports. So they clearly work very well together; there's clearly mutual benefit. And it also provides for sustainable benefit in the long run.

MR. GREEN: That's great. That's obviously impressive – and again, I think one of those stories that we don't tell often enough. OK. Now that I've got my left and my right all straightened out here, let me turn to President Littlefield and OPIC. OPIC provides loans and investment insurance to American business operating overseas. And I've seen before that you're quick to point out that these programs really go a long way in promoting our development priorities and programs. How so? How does assisting American businesses in their work promote our development goals?

ELIZABTH LITTLEFIELD: I thank you for the question and thank you for – is this on? Thank you very much, and thank you to the USGLC for inviting us all here.

Actually if you think about it, for – really, for decades private investment has been financing really important development projects in poor countries all over the world, whether it be in low-cost housing, whether it be in micro-finance, increasing agricultural yields, working on health education factors. So private capital has been playing a critical role in development for a long time. In fact, if you look back 40 years ago when actually OPIC was spun out of the height of my friend Raj Shah's shop AID with a specific acknowledgement that private capital, and capital delivered in a commercially viable profitable way, had a role to play in development –

So 40 years ago we were spun out, and about that time the money flowing from the U.S government – from the U.S. to poor countries in the developing world was about 70 percent official aid. And now today it's completely reversed. Eighty percent of the money flowing from the U.S. to the developing world is private capital. So that actually speaks to the point of, really, the powerful emergence of the private sector in playing a big part of the development job.

And that is as it should be. I think all of us in our different ways are trying to encourage private sector investors to shoulder as much of the development burden as they possibly can, leaving, you know, the scarce – the scarce grant monies, that require budget authority, to be focused on the areas where commercial capital can't do the job.

MR. GREEN: So you're saying that in many respects, that the real American presence in the developing world is not just the official presence but is the –

MS. LITTLEFIELD: Well, and increasingly it is the private capital. It's the business-to-business relationships. And I think people do underestimate just what – what private capital can be done and the places in which it can invest profitably.

I mean, I'll just give you one quick example. In Liberia, we invested – we're investing alongside a U.S. company $90 million to invest in a, you know, a wood chip – wood chips-to-biofuel processing with a power plant next to it. And Liberia's a country where two-thirds of the population is below the poverty line. Malnutrition, illiteracy and conflict are well-known.

And yet, here's a $90 million investment that's going to be profitable that will provide, you know, jobs in the U.S., jobs in Liberia, electricity and power, and all of that while making money for the taxpayer here in the U.S. So that's an example of the fact that you really can push U.S. private capital to do a big chunk of the job, and to do it commercially and sustainably.

MR. GREEN: Return on investment. Daniel, and the Millennium Challenge Corporation, Mr. Yohannes – you know, one of the unique features, I think, of the MCC is that in the places where it operates it not just encourages but requires policy reforms and changing the environment in which it works. In your opinion, what have been the most successful reforms, and what reforms are, do you think, most beneficial in terms of making a country attractive for investment and partnership?

DANIEL YOHANNES: Thanks, Mark. Glad to be here with you and glad to be with my colleagues and with all our friends here this afternoon. As you know, our major emphasis is to help many of those countries in the past – to help them become self-sufficient, to replace aid with investment from the private sector. So first we put a lot of emphasis on policy reform. So our emphasis is creating a lot of consensus from many of those countries around the world to make some significant changes in their policies before we even spend a single dime of American taxpayers. So that is a very powerful incentive.

Just to give an example, in Lesotho, a country in South Africa – the southern part of Southern Africa – a country with the prospect of getting an MCC compact – made some significant changes to their law allowing women to hold property and to enter into a binding transaction which was previously reserved for men only. Second, you know, because we work with countries that are committed with, you know, with good social and economic policies, our investment in those countries are having a big impact. Third, our emphasis in, you know, policy reforms is creating also tremendous incentives for many of the countries and making sure that our investments are sustainable for a long time.

So we're not only investing in those countries, but also complementing our investments with major policy reforms because we want to make sure that those investments in those countries are going to be sustainable for even after we leave those countries. I think the major take-away from what we do is really creating the conditions, the environments, for businesses to be very successful in those countries, not only within investments within those countries, but also to create opportunities for American businesses. Because as we are developing those countries, we're building the infrastructure, we're also making significant changes in those countries with policy reforms, which creates a tremendous environment for businesses to be successful. So that's why we believe we are the gateway for American businesses that should be considering to make investments in those countries.

MR. GREEN: Well I – you talk about the incentives. I think one of the other things that I've seen is that when a country is able to qualify for a compact, that essentially getting that compact is the Good Housekeeping seal of approval. It's as though they've been certified as being reformed and capable and aiming towards making a difference, so.

MR. YOHANNES: That's right. I mean, it plays a major role. You know, I get calls from different leaders around the world. They're telling me, well – (inaudible) – we've made some major reforms in our countries in the last couple of months, in the last year or so; we want to be qualified for your program. Even though every country is not really qualified for the program, I think what we need to understand is that to tell them that the fact that they continue to reform is going to open up opportunities for businesses because they should not only rely for – from us, or USAID or from other developing agencies; I think that they have to – thinking about how they should be able to utilize private sector investments.

MR. GREEN: Dr. Shah, you've made it a priority ever since you've taken office trying to leverage the private sector in the programs and in your work. I know at Davos, for example, you announced a new program to try to leverage and scale up private sector investments in agriculture, to Feed the Future. So I guess the question is, how's it going, and what do you see as the benefits for our partners as well as the business involved?

RAJIV SHAH: Well, Mark, thanks for the question. I think when we look at the growth picture, especially in – around the world, but in Africa in particular, we note that in developed economies growth is something like 2 1/2 percent this year. In the developing world it's 6 1/2 percent. In many of the African economies that we work in, where they have simultaneous huge struggles – with children who don't get enough high-quality nutrition, and the vast amount of child death that's unnecessary below the age of five, even the age of two – they're still in economies that are often growing at 7, 8, 9 percent.

So we believe that private capital, private investment and private companies can be a big part of the solution to basic development problems. And that's why in Feed the Future, as you point out, we launched a particular private investment center. It's run by Tjada McKenna, a colleague of ours at USAID, and we've been using that to essentially do deals and do partnerships with American companies and other local private companies to help them be the engines of change for the agricultural economies in sub-Saharan Africa. I think it's actually – and around the world.

I know our colleagues from Wal-Mart are here. We work well with them in Central America where that partnership allows for Wal-Mart to bring its tremendous logistics capacity and market demand, and create some market incentives for poor farmers to change the way they work. It allows us to leverage our dollars. For every one dollar we put in, we're leveraging two or three dollars from the private sector.

And most importantly, it helps families move out of poverty. And you see that when you visit communities and people say, you know, two or three years ago we were earning a couple hundred dollars a year and we were struggling, our kids were working on the farm. Today we're earning over a thousand dollars a year, kids are going to school. And when I ask what kids in those communities needed, they told me it was schools, not anything related to agriculture because now they had the extra disposable income to invest in their children.

And that's ultimately the pathway out of poverty, the pathway to sustainability that Daniel was talking about, and our long-term vision of success that the secretary, I know, spoke about this morning, where we help build a world with more South Koreas and fewer North Koreas – which undoubtedly is our absolute national interest on a number of fronts.

MR. GREEN: As I listen to each of you it strikes me that, again, as we said starting off, each of you plays a unique role, but a very complementary role. And the other message that I get, you're all saying – correct me if I'm wrong – to American businesses: You can do well, and you can do good – that they're not mutually exclusive. Am I right?

MR. YOHANNES: That's correct. I think, in fact, Raj did start talking about Africa, where, you know, when MCC was created seven years ago, no one believed that would have a country in Africa because no one thought it would pass a lot of the 17 different indicators that we use, which is primarily concentrated on good governance, good economic policies, investment in people. Today, you know, 50 percent of our partner countries are in Africa, and 75 percent of our investments are committed to those countries in that continent. And approximately 70 percent of those funds are invested primarily in agriculture and infrastructure, which is key in vital sectors for trade and investment-related activities.

I was with the secretary last month in Tanzania, and this is a very successful story. There's an American company who went to Tanzania because they won our contract to make that country energy-secure – Symbion Power. Six months after they won our contract, today they are the proud owner of a major power generation plant in Tanzania, a country you invested in, and Mark can tell you – I want to hear the other story. All right. Well, what happened is through our procurement process they won the contract, but now they have a foothold in Tanzania.

Next month, we have a $350 million project probably that's going to go out for bidding for Malawi. All right? Whether Symbion Power or others, now they have the opportunity to participate in our procurement processes, which create jobs here at home, but the key is now you have an American company in Tanzania who went – winning our contract, now they have opportunities to make investments, make more money, and bring the dividends here at home – create a lot of wealth. So we are seeing, you know, win-win for both American companies, for those countries. And because of – again, this is only possible because of the investment we make in those countries.

MS. ZAK: Mark, I guess I'd like to add to that also in looking at sort of new technologies and where we're going for the future. And these are some of the markets where we're going to be to able – they're going to be able to leap-frog over some of the developed countries. And a good example of that is ICT. And as a matter of fact, Seacom, which is the company that people may be aware of, built the fiber optic cable around the east coast of Africa. USTDA participated in putting those partners together for that. And now we're involved in a broadband initiative to be able to bring that link into communities.

But ICT is an area where U.S. clearly is strong, where our businesses are ones that have a great deal to be able to be able to share. But also I think people don't think about sort of new technologies and the importance of bringing those to developing countries. But there's clearly win-win opportunities there.

DR. SHAH: Can I build on that?

MR. GREEN: Please.

DR. SHAH: Le's point is just exactly right. And I would just ask everyone in this room to think a little bit about the first time you saw the pictures in the 1980s of kids that were malnourished and starving in Ethiopia and in the Horn of Africa. We are now facing, and we will be facing over the course of the next three to four months until the rains, hopefully, this fall, a massive famine in East Africa.

And we know what causes these. It is a collection of things that are – include bad governance, but also horrible technologies. People in those parts of the world still use seeds that are not adapted for low-rainfall conditions. We use very little fertilizer and improved inputs into basic agricultural economies, so when it doesn't rain, production just drops away rapidly.

Companies, and often U.S. companies like DuPont and Monsanto, have unique approaches to help solve those problems and develop the new seeds that can help preclude that kind of an outcome. And I actually think it's in those companies' interest to be engaged in these types of activities. It is both good for the world in that it could help prevent those kinds of famines, and it's the right thing for companies to do. I think the pharmaceutical industry learned this around AIDS treatment, that as a company that has – with a unique set of skills and technologies to solve problems at massive scale, when you apply those skills and technologies to the problems that affect the most vulnerable, you help grow your market, build your brand and prove to the world and to your employees that you stand for something that is rewarding, that people can be proud of.

And I would – I think one of the exciting things about the Obama administration's approach to development has been from the – from sitting here a year ago, launching the Policy Directive with USGLC, has been really asking everyone who engages in development on behalf of our government to be more focused on partnering with the private sector, working with private companies and focusing on that nexus of economic growth and good governance that has defined so many of the success stories in this space, whether they're from Latin America or sub-Saharan Africa or Southeast Asia.

MS. LITTLEFIELD: Yeah. Maybe I could add to – add to that as well.

I think it's also important for us to remember – and it was touched on by Daniel and Raj as well as Le – that when a U.S. company invests, particularly in a – in a sub-Saharan African country but, frankly, elsewhere in the world as well, they're bringing not only capital, which is the part that we open with finance, they're bringing technology, which you've mentioned too, but also they're bringing standards of governance, standards of labor policies, standards of human rights policies, transparency, environmental standards and all kinds of standards that they would bring as a model in that market, each one of which is going to then hopefully enhance the quality of services being provided by other companies in that market as well. So it's one point I wanted to make.

But the other point is touching what Raj said. I think it's very important that the president announced, what, this – last year at the U.N., the fact that development was going to really – to be deploying all tools of the government. So it is a whole-of-government approach that recognizes the need for investment as a – as a development tool, trade as a development tool, private sector partnerships as a development tool, as well as the traditional foreign aid. And I think that's something that all of us have been engaged with in different ways, but ways that are actually quite complementary.

And I think it's worth just articulating a little bit how – you know, how that might work in a stylized example where you start with, for example – I don't know, let's take a – which kind of project would you like to – solar – (inaudible, laughter).

We might take a solar – you know, a solar panel plant in India that USTDA would craft a feasibility study for, that would then give rise to an investment by a U.S. company in that plant that OPIC would finance, the investment or, as was said earlier, the seed – the seed corn that would then give rise to an export, perhaps, from the U.S. that Ex-Im might finance. And all along the process, AID and MCC would get involved, A, in working at the – I mean, I'm – of course, I'm limiting our roles just for the sake of illustration, but AID would get involved in the parts where commercial capital can't finance; MCC would get involved, as Raj said, in the policy environment and other dimensions of it.

And there are countless examples. And I can think of many, particularly with AID, where we were able to finance hundreds of millions of dollars in SME finance, in microfinance, in power in, you know, Afghanistan, wind in Pakistan, where we wouldn't able to get that private sector capital going – both our financing and the private U.S. investor – without AID putting in something in the beginning to make the deal stick: the grant money, covering up early operating costs, the service provider.

So the partnerships between us that make it all work, I think, is a story that needs to be told more assiduously.

MR. GREEN: So one of the things I've heard is that, in fact, businesses can do well in doing good. But it isn't a secret, right? In other words, other nations and their business sectors also recognize that there are opportunities. So isn't this all an issue of competitiveness? And I'm sure each of you, one way or another, is helping with American competitiveness.

MR. : Sure.

MR. : We're all going to answer a resounding yes.

MS. : Yeah, yeah, yes. (Chuckles.)

MR. : Yes.

MR. : All right.

MR. YOHANNES: Again, the key is – you know, for any country to trade, I mean, they need to have the infrastructure in place and the capacity. And that's where Raj and I are playing a big role. We are building the infrastructure of those countries. We're building the bridges, airports, ports, all right? Above all, we are creating the conditions in those countries so that private sector investors would consider those countries. I mean, that's the key. So if we don't build the infrastructure and the policy reforms, then it's very difficult, you know, for our two colleagues to be able to push businesses, all right? So I think that's where we complement each other extremely well.

MS. ZAK: Yeah. And I'm going to go to the dual competitiveness here because taking it, yes, we're trying to make the countries we work with more competitive. Sometimes that is just regionally, which is extremely important.

But at the same time, there's a lot of competition out there for U.S. business. And it's very important; it's one of the things of our dual mission, that it's important for us to be able to meet that competition. And so you need agencies to be able to lay the groundwork. You need USTDA to be able to introduce businesses or to be able to provide that grant for a pilot project so people can see it in work, or to provide a grant to set the standards that are for good competition for U.S. goods. So I think that's the other side of it.

There's a lot of competition for business. And by virtue of doing development, it doesn't mean that we don't get involved in that – that we're there to help U.S. businesses at the same time.

DR. SHAH: Can I? I would just add that one way that – one other way to think about competitiveness is about what kind – what kind of market you're competing for in the future and what firms are focused on. And I would just argue that, over the next 30 or 40 years, the 4 billion people that will move from $2 a day to 10 (dollars) to $20 a day and essentially constitute the new middle class will live in an economy that just looks very different than our economy does today. It's no accident that the first countries to have a fully integrated mobile banking system that essentially replaces the need for what we see today as a Western-style banking systems are likely going to be Kenya and Haiti and maybe Afghanistan. And that's not an accident.

And the idea that there are a series of skip technologies that will catch on and work in a way that transform the lives of people in these economies – if Americans firms and businesses are not engaged in that new world, we will do fine for our domestic markets and priorities, but we will be missing out on the opportunities to really win the future.

And that's why, when – you know, I'm really proud of the Haiti program, because in just 18 months – today is the 18-month anniversary of that tragic earthquake – in just 18 months, we, together with the Gates Foundation and other partners, have enabled three or four different partners to do almost a million transactions on mobile phones – banking transactions. And I think people say, hey, if we can get this done in Haiti, we can get this done in Afghanistan. And now we're seeing a whole new payment system be stood up that way in Afghanistan. I just think that technology infrastructure that will power the economies, and that many of us are talking about here, will be very different than what we see today.

And I also believe that our students and young technologists notice. You know, I visited MIT where they have a development laboratory. And the students there get it. They go to Bangladesh, they come back, they design low-cost rural water filtration systems, package them and then sell them. And that's a summer project. I mean, I never could've done that in summer in college. But it's – but young people here get it. They want to compete for this new world.

And other countries are doing a lot to help their companies and their universities be engaged in that potential market. We frankly need to be doing a lot more than we are doing.

MS. LITTLEFIELD: You know, Raj, you mentioned mobile banking, and Le mentioned leapfrogging technologies. Yeah, I think nowhere is that seen more clearly in something that's a priority for all of us, and that's renewable energy. You see, this is a hugely important market for U.S. companies abroad, to be investing in the shift to a clean economy in emerging markets. And everywhere you look, the growth in renewables resources going into the grid is growing so much faster than the nonrenewable resources. And U.S. companies, I think, aren't as aggressive as they could be in taking advantage of those opportunities.

MS. ZAK: But I think the point that can't be lost are other countries are helping their companies.

MR. : Right.

MS. LITTLEFIELD: More than – more than –

MS. ZAK: And I think that's one of the roles that we play a very important part in, is helping U.S. business. And that – I think that is one of the issues, that there is a great deal of help from other countries to be able to make these things happen.

MR. GREEN: Yeah. And actually, that points to something. We've heard a lot today of discussion about the importance of exports and how more than ever before, trade – it isn't trade or aid, but trade and aid have to be interconnected. How does each of your agencies work with the trade side of the administration and its priorities?

MS. ZAK: I can start. Again, that's part of our name. And it's part of our dual mission. And as we were talking about sort of the – President Obama's focus on development, also, there's the National Exports Initiative that we're part of as well. So we have a foot in each camp and see the value of bringing those two together.

MS. LITTLEFIELD: I would say, we are first and foremost the U.S. government's development finance institution. But it is very important that we recognize that we do development, and at the same time, it helps U.S. businesses and it does have a byproduct of creating exports and jobs in this country as well, as well as revenues for the taxpayers since we make 3 (hundred million dollars) or $400 million every year and give it back to the Treasury.

But our number one mission is development, and I think we have to be clear about that and our – but almost everything we do does generate jobs in the U.S. and exports in the U.S. Just to take one example I'm thinking, in Jordan, a project we're doing with General Electric and GE Finance – $250 million financing of water treatment with 150 million (dollars) in political risk cover – it's generating – it's generating over 300 jobs in the U.S. and 70 million (dollars) in exports. That wasn't the reason that we did it, but we wouldn't do it without having some ancillary benefit for the U.S.

DR. SHAH: You know, trade and aid obviously go hand in hand in so many different ways that we could go through a very long list. The secretary this morning talked about how we know trade is in our interest. We know it grows our jobs and our economy. But we also know that there are tradeoffs, and getting there can be very difficult. And it's why there are free trade agreements that could take place and still need to be pushed through that will create a lot of jobs.

USAID, MCC, all of our partners do a lot of investment in an area called trade capacity building that helps our partner countries have regulatory systems that allows us to know that if they are shipping fruits and vegetables here, those are safe fruits and vegetables. We build out road and port infrastructure in places like Tanzania so that it lowers the structural cost of getting everything from fertilizer in to product out in a way that makes it more competitive and gives us more trading capacity.

And I think that we shouldn't lose sight of the fact that we all focus a lot, also, on intraregional trade. So in sub-Saharan Africa in particular, most trade is still within specific regions of East Africa. And frankly, right now – I was talking earlier about the famine in East Africa – it'd be a lot better if they simply had better trade between areas where there are existing food surpluses and areas where there are deficits. And it's one of the great tragedies of that agricultural economy, that every time, every decade or two decades, when there's been a massive famine, there are, in those areas, pockets of food surpluses that simply don't get engaged in the market systems. So building marketing systems in all the fields we work in in a very broad way, we believe, is both in our national interest and is the right thing to do when you look at that degree of human suffering that could be averted.

MR. YOHANNES: As I've said earlier, you know, the majority of foreign investments are primarily in infrastructure, which would help facilitate trade- and investment-related activities. I just want to give you one example: Benin, a West African country. They invested a part of the MCC funds to expand the port. Now, this – the port is not only going to provide – you know, solve the congestion problem for the country, but it's going to be able to, you know, solve a lot of the problems in the region. So whether it's in Tanzania, Benin and Mali, we are investing in those areas where those countries are going to be able to trade effectively, not only with one another but also with the outside world.

MS. LITTLEFIELD: If I could just add one small thing to that, I think we're sort of stuck in an anachronistic view that investment abroad means outsourcing jobs and investment here doesn't, because if you look at the amount of exports generated from foreign subsidiaries of U.S. companies, it's enormous. So the whole point that was made in the earlier panel about foreign investment supported by all of us in different ways is the seed corn that creates – that creates the kind of growth, then creates the ability to export and create jobs.

So somehow we have to increase the understanding in this country that it is a global economy, as Raj has mentioned. We've heard that 95 percent of the customers are abroad; 87 percent of the growth is abroad. So the notion that we all have to only have our U.S. companies investing here and not investing all around to create those jobs, I think this needs to be changed.

MR. GREEN: Questions from the audience?

Please.

Q: Ambassador Green, it's Anthony Hardy (sp) from Madison, Wisconsin. Good to see you again. You did a fine job as a congressman, and I understand you did a great job as an ambassador as well.

MR. GREEN: Thank you.

Q: Thank you, good to see you again. I'm Anthony Hardy (sp); I'm a seven-year Army SOF veteran. And for those that don't know about SOF: We've been hearing a little bit about soft power, and while there isn't in T in SOF, there might be for some of the missions that we were involved in. I was in the Gulf War and Somalia and several other missions, training missions in North and sub-Saharan West Africa.

My question today revolves around some issues with sub-Saharan Africa. And first, I want to echo some of the comments that were made earlier, or one of the comments that was made earlier about some of the temporary emergency aid that's made that can lead to effects that are less than what we were looking for. The second is that – some concerns that while we've been spending our money on wars, China has been investing in places like sub-Saharan Africa.

Third are that concerns about – I have concerns about major violations with bootlegged products from iPhones to DVDs to Louis Vuitton gear across sub-Saharan Africa. Fourth is that I'm certainly pleased with the creation of a new U.S. military Africa Command; would've been interested to hear that the comments from our – from the general this morning about that. Also recognize that Internet access is now available in at least many urban areas across sub-Saharan Africa.

So with those aspects in mind and any others that you might think of, I'm just very interested in, Ambassador Green and any of the distinguished panelists: What new vision or strategy or goals would you suggest for smarter power in sub-Saharan Africa? Thank you.

DR. SHAH: (Off mic.) You know, I appreciate all of those comments. I think the president has laid out a policy for sub-Saharan Africa that basically captures it. And it says, first, we have to reprioritize economic growth and good governance as the core aspirational goals of our development, trade and engagement policies with sub-Saharan Africa. Second, in the way we work, we have to insist on mutual accountability. And what he means by that is that we are committed to doing things differently; we are leading in many of these agencies major reforms in how we work in order to be more transparent and more accountable. But we need to demand that same level of accountability and responsibility from our partners.

And when you see those things come together, you see the kind of success stories that you could read about in Steve Radelet's book on economic growth in sub-Saharan Africa where there are a handful of countries that have had, you know, sustained decade-long high growth rates that are making a real dent in poverty and really changing the landscape of what's possible.

And the final thing I'd say is, the president's been very vocal about the role of science, technology and innovation in shaping that partnership. And across everything we do, whether it's PEPFAR building, medical school partnerships with American counterparts – American institutional counterparts, or in our partnership with General Mills, for example, where they're bringing new technologies and new business-like approaches to help work with smaller agribusinesses in Malawi and other parts of sub-Saharan Africa, a real focus on science and technology and real business-logistics skills can make a huge difference for developing goals and has been a major part of our push across all of our work.

MR. YOHANNES: Yeah. The only thing I'd like to add to what Raj said is – you know, when you consider those countries as partners, right, you see a big difference. And that is – you know, in the past, the past approach has been, well, let us tell you what's best for you. And we want you to invest in this sector, all right? I think what has happened, what we learned the last seven years at Millennium Challenge Corporation is, when the countries own those projects, when they come forth to identify the constraints to economic growth, I think when you do a lot of country ownership, you see a big difference in terms of making the investment to have a major impact.

So I think that, in addition to make them responsible, provide that ownership and really demand a lot of results, you're going to see a big difference. And we're seeing a big difference in the continent already.

MS. LITTLEFIELD: I guess I would – I would just add that, in, you know, relation to soft power, you know, when one looks at the Arab Spring and what's going on in North Africa today, it is very clear, I think, to all of us, that the relationship between the U.S. and the Arab street, if you will, is going to be tremendously enhanced by businesses working together with businesses on projects that are good for the country, that create the kind of jobs that the countries want.

And this is, you know – really, our U.S. businesses are the ambassadors that are projecting the kind of values that we want to be projected about American – you know, about America throughout the world. And I think we're all very clear that that's where the Arab – the response to the Arab Spring's got to go: businesses engaging with businesses, in addition to the other kinds of tools and the strengths we're using.

MR. GREEN: OK, let's take the next question from someone who's watching from a remote location.

Q: I'm Kate Bunting, and I'm actually the voice of Twitter and email for our folks that are out there sending things in. So we have an email question for you. I'll read it to you. It says, investments in women are far more likely to reap benefits for the family and community, from increased nutrition to children's education. How is each agency working with female entrepreneurs to drive inclusive economic growth?

MS.   : Start with you – (inaudible).

DR. SHAH: Sure. Well, you know, we see this – that central observation – and so I thank the person who sent it in – but that central observation has been something that's been well known in development for decades. So the challenge isn't really identifying the centrality of women and girls to the development promise, as it is operationalizing a real focus on getting the work done in a way that supports women so that they reap the benefits of different projects, programs and income gains.

A good example is in the Feed the Future Initiative. We're very focused on making sure we're targeting women farmers as producers, working with women in cooperative groups. When the secretary was in Tanzania with Daniel, she announced the Feed the Future program in Tanzania at a women's farmers' cooperative that we're supporting as part of that program, because we know that when women get resources, they invest those resources in their child's nutrition and sending those kids to school and investing in their community's pathway out of poverty.

In fact, we've developed a handful of tools, including diagnostic tools to help identify the target market, so to speak, and outcome-measurement tools to disaggregate income by gender and make absolutely sure that the results of the investments we're making are preferentially helping women.

And I think it's those types of operational reforms across the board that will help not just us, but the whole field of development do a better job of making sure we really target and support the needs and interests of women in the process of development.

MR. YOHANNES: One thing I'd like to add to that one – and every single project that we do at the Millennium Challenge Corporation considers gender from design to development. And also, in implementation, we always make sure that women are equal champions, like men, in all of the development that take place. So it is one of the major priorities. And we've seen a tremendous benefit from that approach.

MS. LITTLEFIELD: I would just maybe to add to that, yes, we, too – I think all of us are likely to measure gender inclusion in our projects. But one thing I'd just like to mention – and of course, it's clear that women are central to these development solutions and the health and wealth of families and communities as well – one of the most powerful instruments, of course, to do that is to provide women with access to financial services, not just credit, but loans and insurance and other kind of services.

And we know that when women do have access to financial services of any kind at the very small-scale level, we see improvements in nutrition, we see better health outcomes, we see children in school for longer periods of time and throughout the season. And probably most importantly, we see women's empowerment manifesting itself in a greater degree of leadership and participation in a community, elected to positions, and et cetera.

So I think that one of the ways to reach women and empower them so that they can play that role is through micro-financial services, which I know AID has been a real leader in throughout the decades, and OPIC as well. That was one of the largest financiers of microfinance, with about a portfolio of about $700 million, on which we're making a profit in exposure to micro-finance.

MS. ZAK: And I was just going to add, USTDA has an International Business Partnership Program where we bring people from abroad to meet with U.S. businesses. And clearly, we pay attention to gender. And Elizabeth had mentioned the Arab Spring. We just finished a very large forum focused on Egypt. And we had some absolutely fantastic young women entrepreneurs that joined us for that. And I'm hoping – if people are interested in Egypt to do some business, I think there are going to be some great opportunities out of that.

MR. GREEN: Question on the mic to my left.

Q: Thank you very much. All day, we've heard what America can get from other countries. And I was getting a little bit anxious about that until I heard that you also – USAID and the Millennium Challenge Corporation is also trying to help build the infrastructure of the country. And that, to me, shows mutual investment, rather than just taking and taking and taking without putting back.

So my question is, when some of these international companies go to our countries – I'm from Kenya – they are not thinking about human rights in those countries. They are thinking about how they are going to infiltrate that market. And in most cases, sometimes, they really work with the leadership of the country. And if it means even bribing the country's heads – I mean, the country leadership, they will in order to have access to the mineral resources or whatever it is that they are trying to do. So they actually, in some cases, enhance corruption.

And I'm just wondering what the U.S. government and the chambers of commerce is doing to monitor that kind of behavior from international companies.

The second question is, some of these companies, when they – when they come, they undermine the local companies or they undermine local seeds – you were talking about Monsanto. And if we are talking about sustainable economies and sustainable communities, if these international companies are going to undermine the development or – what the local communities are trying to build, how is that helping those countries? Thank you.

MR. GREEN: I noticed some murmuring. (Laughter.) I sensed that folks up here wanted to be able to answer. Mr. Yohannes, I know – asking you –

MR. YOHANNES: Well, I share some of your concern. But all I could tell you is at least, you know, we approach aid on the premise that aid is more effective when you work with countries that are accountable for themselves. So you know, even though there are approximately about a hundred different countries around the world, we are very selective the countries we work with. We work with those countries that are committed to the governance, countries that are committed to good economic policies. So that's why we only work with about 22 different countries around the world.

And you know, some of the things you talked about, you know, it is a concern. And I mean, it has to disappear at some point. But again, the countries themselves have to take accountability and responsibility if, in fact, they are going to make economic progress.

DR. SHAH: I would just say on that first question that I think there is a great model in the program around the Extractive Industries Transparency Initiative. And we and other partners – I know Bob Zoelleck was here earlier; they played a big role in that. It is absolutely important that American – that all companies commit to a set of basic standards around transparency and accountability, especially in extractive-resource industries.

And you know, to be quite honest, not all companies play by the same sets of rules. My sense is, American companies actually do hold themselves to a higher standard, and certainly the American government is committed to implementing a higher standard around the world than, you know, perhaps some other partners, like China. And that's been a real issue that we've had real specific discussions on in this administration.

On the second question, I would say that, you know, the goal is not just to promote the use of American technologies abroad; it's really to build the kind of deep partnerships that enable the win-wins that Elizabeth was talking about.

So take our partnership with Monsanto. In Haiti, Monsanto donated hybrid seed, not GMO seed, but hybrid seed. And we worked in partnership with the ministry, the Haitian agriculture ministry and local farmers' cooperatives. They saw a doubling of crop yields because of the 4,000 metric ton seed donation that Monsanto made after the earthquake.

That's just one example. There are other examples throughout Africa where you have essentially partnerships between American companies and local firms because local firms bring a huge amount of capacity to get work done, of knowledge of how to reach specific markets and of sustainability and how to do the work in a sustainable manner. So our focus is really about partnership more than anything else.

MR. GREEN: Let's see if we can squeeze in one more question.

Q: Thanks so much. My name is Jennifer Rigg with Save the Children. Thank you all very much for your time. I have a question about the Partnership for Growth, the four-country pilot to implement reforms from the PPD and QDDR. Really appreciate the whole-of-government approach, the reform principles, local ownership and a variety of areas that seem to be at play here. And we also appreciate that it's under way now.

Want to applaud and say congratulations to those who worked on the constraints analysis that was published in the Executive Summary Forum yesterday in El Salvador. And I wanted to ask in particular, across the four countries, what's next? What will each of your agencies contribute to this effort?

And to continue on the inclusive-economic-growth theme, how will you ensure that inclusive economic growth is a part of the outcomes of this important initiative and to especially ensure that you're reaching vulnerable children and their families, and including local and international civil-society organizations in addition to private companies in the consultations, planning, and the ultimate shape that might take place for this exciting new partnership? Thank you.

MR. GREEN: I suspect each would like to go on at length in answering those questions. If I can ask each of you perhaps to give a summary answer.

MS. ZAK: And I'm going to combine a little bit the prior question with that question, and just to say, I think one of the very important parts about that effort and what each of our agencies tries to do is to really listen and listen to what the needs are with respect to the host country and see how that fits with each one of our programs.

And I think one of the important aspects that we have is the fact that like here today, the agencies are working together to bring each one of their strengths to be able to accomplish a goal. But those goals are goals that we are hearing from the host country. They're not ones that we're making up, but ones that we hear from. And human rights and other aspects are a very important part of that.

DR. SHAH: I would just add to that that I'm so glad you mentioned inclusive growth, because we're now seeing a 6.5-percent growth rate in the developing world. So there's quite a lot of growth. The challenge is making sure that its reach is broad and that it touches on the communities that suffer the greatest vulnerabilities. And so that's very much a part of the dialogue in these different constraints analyses. And it's something that we're excited to take forward through programs like Feed the Future, but also through so many other venues that we collectively work on.

MR. YOHANNES: Yeah, as we get information in terms of the real constraint of economic growth in those countries, I think it's providing all of us with the opportunity to respond to their needs. And in the past, you know, it's been one agency, and we've seen some kind of duplication. But I think this will provide all of us with the opportunity to approach to the problems effectively, efficiently by combining our efforts. So it's going very well so far.

MS. LITTLEFIELD: I would merely add that, yes, inclusive growth, of course, is central to the notion of sustainable development for us. And in those four countries, like in the other countries in which OPIC operates, we'll be providing, you know, the financing to U.S. companies that are investing in the right kind of sectors in the right way in order to make the difference between an investment that might make sense and one that isn't quite – isn't quite attractive enough.

So we try to provide those incentives that make the investment happen, or the risk mitigation, like political risk cover, that makes an investment happen in, for example, in Egypt, where it might not happen otherwise. So in each of those four countries, it's really the suite of financial products that OPIC offers to U.S. companies that are willing to invest in those countries that we think we can bring to the table.

And of course, in so doing, we hope to continue to generate jobs and exports and financing back – and money back at home.

MR. GREEN: Well, I want to thank our panelists for being here. It's been a tremendous discussion, and quite frankly, I would like to have had it go on. But I guess my take-aways are, first off, my summer project of sitting by the beach doesn't sound quite as productive as the summer project at MIT.

But what I take away from this is that, A, when we think about American assistance and American engagement around the world, we can't get caught up in old models, that our assistance is not just public assistance, but it's also the contributions of the private sector, which are leveraged by the public sector.

Secondly, I take away from it, as Dr. Shah mentioned right off the bat, that in terms of market opportunities for American businesses, American taxpayers and the American economy, we really do need to be looking to those places where perhaps we haven't been as much in past years.

Also, that American assistance done right, public sector and private sector, not only does good in terms of its target for its program, but it also creates incentive for change which have a wide range of social goods that all of us believe in and all believe are very important.

Next, I would say the importance of country-led, country-owned and country-driven programs and projects that not only design the projects better but also make sure, as Daniel was saying, that they're sustainable and they're lasting.

And I guess what I'd take away finally, but perhaps most importantly, all of what you've heard about up here is just a little piece of the 1 percent that the international affairs budget represents. And so as we go from here and we go to the Hill tomorrow and the policymakers that you'll be meeting with and they ask you, what is it that we actually get for that 1 percent? Well, I think you've just been given a small taste of it but a pretty good one.

So again, thanks to all of you and thanks for the honor of doing this. (Applause.)

MR. : Thank you, Mark. Appreciate it.

MR. BRYSKI: Thank you very much, Mark and distinguished panelists. We really appreciate that very, very interesting discussion. Let me just note that we're going to stay where we are. We're just about to begin the program of Republican Foreign Policy Roundtable. It's going to be introduced by Jeff Colman from AIPAC. So stay tuned and here we go. Thank you. (Applause.)

(END)