

# **USAID'S APPROACH TO HIGH-IMPACT DEVELOPMENT**

**DR. RAJIV SHAH,  
ADMINISTRATOR, USAID**

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RAJIV SHAH: Thank you. It's really a great honor to be here and to be introduced by two such talented leaders that really do represent the different worlds coming together but at a very high level and for a tremendous calling and purpose, so thank you, Chris, and thank you, George.

And thank you also, George Ingram, because I appreciate that – that early comment is actually such an important point that you're right; this is a different and more expansive community of both supporters and innovators in this field today thanks to the leadership of the U.S. Global Leadership Campaign and its many members and actors acting very differently but against a common cause. And thank you, Liz, for having us here today.

I also want to thank Anne-Marie who – I did a town hall meeting just now with my staff at USAID and it was just wonderful. We must have had more than 1,000 people show up and Michelle Obama came and it was very exciting. But I realize I'm keeping you very busy today – (chuckles) – so thank you for coming.

Look, it's really an honor to be amongst friends, and amongst friends who recognize and believe in the discipline of development, and that development is a discipline. I am so impressed with the U.S. Global Leadership Campaign and I think the mention of the letter is very important.

The fact that every living secretary of state, 50 retired four-star and three-star generals and flag officers and nearly 150 members of Congress from both parties signed off on echoing, really, the calls of Secretary Clinton and Secretary Gates for full funding of the president's 2011 foreign affairs budget request. That's tremendous. And it makes the point that we are stronger together than we are apart and I appreciate that.

I recognize the comments about Haiti in the introduction. When I was sworn in, I talked a lot about my belief that I thought we had a narrow window of opportunity to elevate development and to transform the agency to lead that elevation. To capture the moment, I knew we would have to act quickly and decisively and do things very differently so that we could demonstrate that we were adopting the best practices of a broad field and a broad community.

And I had very detailed plans walking through each of our bureaus and meeting with key groups of our staff and really learning and spending a few months really deeply learning about

how the place works and how we operated so that we could start to make informed decisions to improve it.

That was January 7<sup>th</sup>. On January 12<sup>th</sup>, we had the earthquake in Haiti. And those initial plans were of course the least of what was lost in that tragic event. Hundreds of thousands of people in Haiti lost their lives; millions were left without homes, electricity and water; personnel across the federal family including our dedicated Foreign Service national staff in the USAID mission in Haiti and in the whole embassy in Haiti, many of them lost their homes and many of them lost their families.

And it's a tragedy that continues. The grieving process and the recovery process was at once both personal for our team and broad and inclusive of virtually every partner organization we work with, most notably Haitian organizations and the Haitians themselves.

So I've been asked a lot about what it was like to start and then have such a major crisis become so all-consuming. But to ask that question really defines "crisis" too narrowly. Our government has spent billions of dollars in Haiti over the last three decades. And the country was still in such a vulnerable state that an earthquake that was really less dramatic in force than the ones that hit Chile and China took more than 200,000 lives.

Leading up to the earthquake, the combined work of all of the development professionals and NGOs, firms that participate in our work and our service provision, all had done great work, and in many cases, were saving children's lives from malnutrition, were treating people from HIV, were saving lives and offering educational opportunities; doing a full range of things. But the totality of that activity never really amounted to the kind of sustainable development and the kind of strength of governance and institution that could have protected those millions of people in Port-au-Prince from this tragic event.

So when I started, I wanted to ensure that the United States government did everything we could to launch not just the most successful humanitarian effort the world had ever seen but hopefully the last one Haiti would need.

Crisis often brings people together with clarity of goal and a sense of urgency. And I saw that when USAID hosted the Haiti operation center in our response-management room in the Ronald Reagan building. Leaders from across the federal agencies came to us to work in a spirit of partnership and coordination. Our military brought unique capabilities to the task. But they also brought something else: a real spirit of cooperation and service and not just willingness but a commitment to work with and through civilian leadership.

With that support, we experienced some successes; we did experience some failures but also some successes. Just to give you one example, when people were very worried in the early part of the relief as to whether we could get water to enough people who did not have access to water. We quickly mobilized our team in the Dominican Republic and in Port-au-Prince to contract with local water providers and trucking companies and immediately expand access to water. and in doing so, we asked them to distribute chlorine tabs at the point of distribution

because we'd seen the data that shows that that's a far more effective way to get people to use chlorine tabs to protect themselves.

Today, the percentage of people in Port-au-Prince who have access to safe drinking water is higher than it was before the earthquake. And just yesterday, I saw the results from our sentinel nodes survey at the health clinics that showed that actual incidents of diarrhea have gone down 12 percent compared to pre-earthquake levels because of that one determination.

And I will have to say that I saw our professional USAID staff and our professional interagency colleagues make decision after decision like that – really being entrepreneurial about using new data and new evidence to do the right thing. We launched the largest feeding operation we've seen in a long time: 3 million people got access to food. But as we did that, we also tracked 20 local items – tracked the prices of those items, did it in a disaggregated way and tried to make sure that we were both procuring local food when possible. And doing things that wouldn't upset the way local markets functioned because we know local markets are a big part of the solution.

I really did see our professionals at their best. They took risks; they made these kinds of decisions. My favorite risk-taking story is we had a hard time getting food to the local NGOs that could often reach people in pockets and in communities where official groups had a hard time going. They don't often have the ability to fill out all of our forms in order to account for where all the food goes and how we do that, and so it's harder to work with them.

But in that moment of crisis, our team came up with solutions. They used voucher systems and expedited forms; we did verbal approvals where we could instead of written ones and went back and got the paperwork done later. It was really innovative; it was very entrepreneurial. And people took real risks in order to do the right thing for the people of Haiti and I was very, very impressed with it.

So what I learned from that is that our professionals at their best could be development entrepreneurs. And I saw that they were being successful at essentially turning needs into opportunities to solve problems. I believe we need to bring that same sense of urgency, that same degree of focus and that same commitment to innovation to all of our work. And that's the work that continues today through our Haiti task team and across our agency.

I don't know how many folks in this room had a chance to hear what Sen. Leahy had to say during my appropriations hearing. (Laughter.) I suspect a few. (Laughter.) He didn't mince words. He said that USAID was not living up to its potential. And he said – and I quote: “USAID needs to change its culture and change the way it does business.”

One of our biggest champions, someone who has supported our agency throughout its history, someone who is deeply committed, shares your commitment to development and has seen it work in places around the world made things very clear: Either we reform ourselves or we would no longer be in business.

So it's pretty clear to me that our time to change is right now and that our time to change is short. But there's another message here, and that is that the time to change is also right. We now have a unique opportunity to make dramatic progress against development goals and help elevate living standards for billions of people around the world. That opportunity is based on new knowledge of what works and what doesn't, new levels of political support across this government, in Congress and in our stakeholder communities, and a unity of purpose that brings together the business leaders and the NGOs that have come together as part of this coalition.

Our understanding of effective development is always evolving but it really has improved significantly over the last decade. Think of our focus on women and girls. It's hard to even imagine that this was a novel insight 15 or 20 years ago but we now know that investments that prioritize women and girls – and we know how to do it – I see Catherine Bertini in the audience, who is such a pioneer on this – we know how to do it in the implementation of our problems. We know it works, we know we get better outcomes if we do it and if we were evidence-based, we would do a better job of aligning our resources against that objective.

We know that smartly aligned incentives, like conditional cash-transfer programs in Mexico, Brazil and other parts of the world can have a huge impact on getting people into the health system, into the education system; taking actions to do the preventive things now that save money, improve outcomes and lower cost over the long term.

We know the power of information is priceless but we also know that farmers who get market prices on their cell phones, they actually benefit faster and quicker in terms of improving their incomes, negotiating with middlemen, in some of the most remote parts of the world.

I've seen many of this first-hand but I found it notable this week that the John Bates Clark award in economics went to a development economist, Esther Duflo, from MIT. I think it's been a long time since a development economist won that award. And her work, for those of you that haven't followed it, shows case after case – in fact, her team was part of the team that did the study that showed that chlorine tabs provided at the point of distribution of water dramatically increase uptake.

We're gaining novel insights about what can work from the data and from rigorous analysis that we can drive into our programs and get more value for taxpayer dollars and live up to Sen. Leahy's tall challenge.

But complementing that challenge is the political recognition at the highest levels of how important development is. We have a president who has articulated a clear and bold vision for American engagement around the world; one that is rooted in the recognition that development is essential to our security, prosperity and values. In fact, in his Nobel Prize acceptance speech, he talked about development as part of our – setting ambitious development goals as being part of our effort to engage our moral imagination and to expand our sense of purpose and expand our sense of outcome.

We have a champion in our secretary of state who is uniquely knowledgeable and passionate as an advocate for development, who brings a lifetime of commitment and genuine

knowledge to foreign affairs and whose conception of smart power, like yours, is perfectly aligned with the discipline of development.

And we have a secretary of defense and a chairman of the Joint Chiefs who really never miss an opportunity to talk about how important the civilian aspects and development specifically is to our long-term national security.

These aren't the only leaders – although they're important leaders – (chuckles) – who see the value of development as a strategic imperative. I think George was exactly right: 20 years ago, the development community was defined more narrowly. You could probably assemble the USAID staff and have a strong representation of the development community.

But today, corporate leaders like Chris, like Indra Nooyi at PepsiCo, David O'Reilly at Chevron are all doing development work by focusing on the bottom of the period and by innovating, creating business models and business enterprises that are helping to meet needs for people who made \$2, \$3, \$4 a day or less. In doing so, they're reaching millions and they're creating innovations and insights that we should be using across our portfolio of work.

The development community today includes philanthropists like Bill Gates and Mo Ibrahim who have studied these issues deeply and have lent a business-like discipline and an investor's desire for success and for outcome and for return on investment.

Today's development community includes advocates like Bono and Shakira who have developed their own deep expertise in issues and have lent the reach of their fame to some of the world's most important causes.

But perhaps the most important leaders who've joined our field and our work aren't as well-known: the grassroots leaders in our communities, the church groups that advocate for humanitarian relief, the baby boomers who forego comfortable retirements to join the Peace Corps and get to work.

And the college students – I was at the University of Michigan speaking to the economics department – that's my alma mater – the college students who oversubscribe every development course that gets offered: global health, development economics.

Professors there say this hasn't happened in decades; that these were lost arts, these were fields that no longer had the intellectual rigor and the support that they now do amongst faculty and among students. And in fact, these students represent the new generation of change: fully global, very connected, half of them engaged in a meaningful way in the Haiti response.

So we can't be insular or dismissive of these new development partners. We cannot elevate development by relying on the traditional development community alone. This is a time to be bolder, to reach beyond our comfort zone and to be imaginative about how we can work better, cheaper and faster in the pursuit of real development results.

In order to do this, we're going to have to take a slightly different approach to our overall development policy. I'd like to see us start approaching development in a new way, to provide what I think of as a distinctly American contribution to development. Throughout our history, America has successfully embraced a culture of risk-taking and entrepreneurship. It's in our DNA.

Just look at the last century and the advances that we once thought were not possible. We've eliminated smallpox from across the face of the Earth. We've connected people around the world through technology in ways that people never imagined. We've spliced the gene, sequenced the human genome and hopefully that great knowledge will quickly lead to developing AIDS, malaria and TB vaccines that will successfully eliminate those diseases.

We're a country whose strength comes from our celebration of diversity and the people who've shaped it; a country that believes in dedication and innovation and that only these things prevent us from achieving great breakthroughs in development and in every other field. This approach, this mindset represents our unique competitive advantage, one that we are eager to share in partnership with the rest of the world.

Taking a distinctly American approach to development means we should focus more on individual empowerment, both in terms of giving our staff the flexibility to be development entrepreneurs and finding the entrepreneurs out there that will be the next generation of those that were invited just a few weeks ago or last week to come to Washington for the president's entrepreneurship summit.

It means we should focus on private enterprise and the power of markets and use in an even more expansive way many of the tools we've pioneered: the development credit authority at USAID, our overseas – the OPIC and other investment vehicles we have to promote U.S. investment abroad and foreign direct investment in countries that we prioritize.

It also means that we need to demand governance – good governance, performance and accountability from the public institutions in the countries we serve. America's own experience of democratic improvement should inspire our partners. President Obama at his commencement speech at the University of Michigan – (chuckles) – recently reminded us that our audacious experiment in government by the people has endured and improved for more than two centuries and does provide a powerful example for countries striving to follow a similar path.

As many of you know – I suspect as all of you know – the Obama administration is close to putting in place an overarching development policy. I suspect some of you might have read the draft. (Laughter.) And this development policy would in fact limit and focus our goals and aspirations so that we can most effectively achieve them. This effort will help set our priorities and will really come to define nearly all of what we do at USAID.

In four core areas, we're already putting a new approach into practice: First, we're honoring our commitment to the Millennium Development Goals, not simply by delivering services to those who need by trying to build sustainable systems that will transform health care,

food security and other parts of the MDGs going forward so that more people – tens of millions of children – will have the chance to lead healthy and productive lives.

We all know enormous progress has been made in achieving the MDGs, but we also know going forward and taking them forward is going to be really hard. It's those hard issues that are left. And it is those relatively more difficult environments for operations that are now the places we have to focus and operate if we're going to turn around the stagnation of maternal health outcomes.

Or if we're going to turn around the fact that as Chris noted over the last few years, the number of people that go hungry – chronically hungry – around the world has for the first time in decades gone up each of the last few years. That's absolutely the wrong direction for the very first Millennium Development Goal.

We'll do it by leveraging our investments in global health and food security – and in both of those areas, this administration has launched major initiatives. But these initiatives are not just about doing more work in these areas in the same way we've done them before. They're about partnering better with the countries we work in. They're about following country-led plans.

They're about prioritizing women and girls because we know we get better outcomes if we do. And they're about investing our resources in a multiyear, long-term, strategic way, so that we engage private enterprise, we engage local leadership, we build the capacity that we know needs to exist to sustain the kind of outcomes we need in health and food.

If successful – and we absolutely have to be successful – these efforts will both transform outcomes in these field, help achieve MDGs and actually transform the way we do our work across other sectors as well – because the principles we're espousing – many were espoused in a speech the secretary of state gave at the Center for Global Development – are fundamentally what we think of as best practices in development: improved partnership, focus on women and girls, much stronger focus on impact assessment, monitoring and evaluation, but in a smart and effective way.

Second, we are strengthening our ability to invest in country-owned models of inclusive growth and development success. I think you all know that there's been an active debate about, did the focus on the MDGs detract from the ability to focus on growth? I think that's a bit of a false debate. But we do know that getting rapid and sustained growth is not a miracle; it's a mix of relatively known ingredients.

We can learn from both recent country examples and from efforts like the Spence commission that pulled them together to offer insights and then explore how we can use a full range of assets across the federal government and especially at the U.S. Agency for International Development to promote in a focused set of areas real inclusive growth in countries that are reasonably well-governed, economically stable, globally connected and market-oriented.

This will require an experimental approach and we all know – (chuckles) – that growth-oriented work has sometimes been very successful and sometimes less so. But we can't let the failures of the past deter us for the future. And by bringing complementary assets relating to aid, like trade, investment and diplomacy to this mission, we greatly increase our chances of success.

You know, 50 years ago South Korea was poorer than two-thirds of the countries in sub-Saharan Africa. It's easy to forget that today. Now, South Korea is both a donor and within the G-20 is pushing for sharing their experience with the rest of the world in a good and effective way. We need more examples like that to sustain the development enterprise for the next several decades.

Third, we are finding new ways to leverage science and technology to develop and deliver those tools and innovations that we think can be transformational. Science and technology innovations are a huge part of driving growth. Some estimates are more than half of all GDP growth can be attributed to specific technological innovations. And science and engineering has opened the door to many of the big success stories that we've experienced as an agency and as a field over the last several decades. The Green Revolution is a wonderful example of that.

It's only right, then, that we recalibrate our current science portfolio around a new set of grand challenges: Challenges like developing drought-tolerant seeds and other crop technologies that will protect basic production systems over the pressures we know are coming over the next three, four decades; challenges like better ways to find energy for distributed off-grid communities that define most of our target market in the work that we pursue; and challenges like inventing better vaccines for AIDS, TB, malaria, pneumococcus, rotavirus – things that we know will save millions of lives efficiently if we can successfully see them through.

This is a time to get serious about this area of work and USAID will restructure its science and technology portfolio. We are dramatically expanding the number of science fellows we have and working to build stronger and more effective partnerships with the entire federal science community that now is very interested and deeply committed to our development commission.

We also have to make sure we get innovations out of the lab and to people who need them, whether it's private business models and encouraging the uptake of technology in the private sector or improving regulatory systems in countries that have a different view on specific technologies, or whether it's working to really make sure that people have good data on what is market demand, what are long-term public expenditure requirements in order to take on new technologies. There are a range of things that we already do that we can build on and do in a more robust way to make sure that science and technology is a major part of our development portfolio.

And finally, we need to continue to bring USAID's expertise to bear on some of the most daunting national security challenges we face as a nation: sites of active conflict like Afghanistan. We have decades of experience working in complex crises – and I look around the room and see so many of our partners that both have experience and enable this work. The



learnings and the combined capabilities of our DCHA Bureau, of our foreign disaster assistance group, of the Office of Transition Initiatives and for the rest of our programs really do represent a unique knowledge base and source of comparative advantage to do this work effectively.

I was actually just in a part outside of Kandahar in Afghanistan in a community called Argandab, a district that has about 50,000 people and until quite recently was considered relatively unsafe. Between September and March through a constellation of U.S.-supported programs in providing agricultural vouchers to farmers, cash-for-work programs that engaged people in clearing the irrigation system and canal, expanding access to road infrastructure and schools and health services – all coordinated through local governance and at the direction of the local shura.

We have essentially gotten to a place where about 35,000 of those 50,000 – the community living east of the riverbed there – are really experiencing much more economic vibrancy, significant improvements in safety and mobility and are hopeful about their future and recognize the value of the partnership with our country.

Now, we have a long way to go. You know, when I do the math on what it cost to achieve that outcome, the per capita cost is somewhere akin to probably per capita income in that area. That's high and it's going to be hard to sustain that over the very long term. So as development professionals, we have to constantly think about, what is a path to sustainability and can we build a bridge to sustainability so that local institutions and local leaders that want to do the right thing have the tools and capacities to continue to provide an appropriate level of support to their population's welfare?

Taken together, these four areas represent an agenda for us and will increasingly become areas of our focus. Pursuing this work, though, will require more than focus areas. We have to transform the way we do work. I mentioned based on my Haiti experience, I believe we have – we are filled with wonderful development experts and with people who have the capacity to be innovative and entrepreneurial

But like many bureaucracies that have been around for a little while, we don't always encourage the very best with our processes and our rules. And so we need to pursue a bit of a transformation. And in my mind it's really built around taking risks. One of my personal heroes is Dr. Norman Borlaug – and I think many of you have had the chance to meet him, some even the fortunate opportunity to work with him. His career is a long history of taking great, great, great entrepreneurial risks.

You know, and I'm not validating everything he does or suggesting we should all do it, but he would sneak seeds into countries when, you know, the rules didn't always work out for him. (Chuckles.) He expanded the construct of what his research program could be well beyond what his superiors would agree to support. But all of that led to outcomes that saved hundreds of millions of people's lives.

And I'd like our teams and our development professionals to be able to take those kinds of risks in a smart and calculated way. To support that, we're putting in place a range of

development – a range of policy reforms and other reforms that will help our operation improve and help enable our people to be development entrepreneurs:

This month we'll be rolling out a new policy bureau and a new budget capacity that will allow us to both take more accountability for our work and, frankly – and it took me a little while to understand why a policy bureau was so important. But it is in order to develop coherent development strategies, in order to drive consistency of message, in order to partner well with the State Department, the White House and the rest of the interagency and in order to have clarity of purpose, so that we can become a platform that invites in other partners but against a common goal.

In June, we hope to roll out a meaningful set of procurement reforms. And procurement reform is difficult because our current contracting systems exist for a reason. They enable our employees to get work done in an environment where they don't always have the internal resources to do that work. And we depend greatly on many of our partners in this room to get that work done and to be part of that system.

But in order to really be successful, we're going to have to do a much better job of looking at the unit cost of what we're buying. And as I've looked across programs and projects, there are a few areas where if we make some changes, we can improve our performance collectively and enable us to advocate for ourselves more effectively. We have to insource program design and monitoring and evaluation. We simply can't write contracts anymore that include and outsource all of that in a singular effort.

We have to do a better job of building local capacity and investing in local institutions. And we have to do a better job of having a real transparency in how we assign contracts so that a number of other organizations, firms and individuals can see and appreciate the process that allows for that.

This summer we'll launch a set of talent management and human resource reforms that I believe are very important to our future. This will include really doing a much better job of leveraging our Foreign Service national staff. We have about 8500 employees at USAID and approximately half are Foreign Service nationals.

Many of our Foreign Service nationals in countries where we work are doctors, engineers, former government officials, experts in their fields with unique relationships and capabilities that will increasingly allow us to do our work more effectively. But we have not always had the ability to acknowledge that and to support them in ways they need to be supported.

We also need to do a better job of bringing internally real technical capability and technical capacity, so that we can offer technical leadership in the sectors where we focus. And we have to do a better job of deploying our resources against our highest priorities.

Finally, in the fall, we will launch a major monitoring, evaluation and transparency initiative. I am convinced if we can be the most transparent development agency in the world

that the American people will accelerate their support of our work. More than half of all American families gave to Haiti – more than half.

And when you can show people that you can train – you can offer a two-year degree for about \$1900 to a young woman in Kabul that then lets her graduate with a construction trades background or electrical wiring background or ICT background and get employed in a job that pays three to \$500 a month – that's real development and real progress. We're doing that. I visited that project and that program.

We need to make this work much more transparent. We need to have much more rigorous evaluation systems. We need to invest more in collecting real baseline data and understanding counterfactuals because much of our current M&E portfolio, frankly, is retrospective storytelling as opposed to rigorous analysis. And it's not that that's not valuable. That offers important insights that help us get better. But we need to show that we need to become and we need to show the world that we can be a transparent learning organization and really be a place that celebrates success as well as failure.

I believe the package of reforms that we need to implement this year will help our agency be a world-class institution again. I also believe it will help unlock the innovation that exists in each of our employees and unburden them of some of the current processes that prevent that.

But all of that will still not be enough. We need to do a better job of engaging our stakeholders. And we need to get out there, listening, sharing and learning and smartly engaging with our government, with other governments, with all of you in this room and with the sectors that you represent.

For USAID, this means being more responsive, more candid and more humble when addressing Capitol Hill. The bargain, I hope, will be more trust and flexibility that allows our professionals to make determinations about what's the best way to spend resources.

When working with our interagency partners, it means being enthusiastic and open, inviting them in to partner with us against a clear set of goals and against a clear set of criteria about what constitutes excellence in the implementation of development programs. And in return, we'll ask that they work with us around these common objectives and work with us to enhance the value of our sense of best practice.

And it means working closely with the growing and often newer development community. It's a community that offers real and valuable leadership. And the advocacy that this organization does – the U.S. Global Leadership Coalition – is a great example of the advocacy power.

I'm also interested in the learning capabilities. We want to learn from you. We want to learn from what Land O'Lakes is doing in parts of Africa and how you're able to organize farmers at a unit cost that is often lower and more effective than some of our programs. We want to learn from private institutions that are doing innovative things around the world. And bring that knowledge and insight into our organization, our programs and the practice of development.

So I realize I've set out an ambitious agenda for the agency I lead – (chuckles) – and for the work that we really all share. I also realize this is the beginning of a longer conversation. Much of this is about how we partner better with you over time.

Before I came to USAID, I heard a lot about how the agency had been weakened over the years. And I heard a lot about all the external forces that resulted in that weakening. But I've been there long enough now and I've had the chance to see in Haiti and Afghanistan and in other parts of the world that this agency has real capacity. It can innovate, it can take risks, it can bring unique capabilities to the task. We have a superb, highly committed and talented staff in Washington and we're going to grow it to be even stronger, more technically sophisticated and more in touch with modern technology.

So let me close by saying this: I am hopeful and I am optimistic. I really believe that if we can demonstrate that we can do development in a way that is excellent, in a way that is cost-effective and in a way that effectively communicates the great desire of this country to serve and partner with others, that we will benefit from really unyielding support from the American people, from this administration, from our Congress and from our stakeholders.

And the combination of delivering excellence and using the delivery of that excellence to build our support will make us again a great – and the greatest – development agency and will help us achieve, most importantly, the outcomes that bring everybody to this room. Thank you very much. (Applause.)

LIZ SCHRAYER: Thank you, Raj. That was a very exciting and a very ambitious agenda as you said. I'm Liz Schrayer. I'm the executive director of the U.S. Global Leadership Coalition. And welcome. And thank you for giving your time. You've had a busy day.

DR. SHAH: Great day.

MS. SCHRAYER: You had Michelle Obama and we get Raj Shah. (Laughter.) So we're very excited. (Laughter.) Let me share with you how we want to do this town hall and get you as much chance as possible to ask questions. For those of you who are here in the audience, we will ask you – we have three mikes – and we'll ask you to line up. Try not to – two or three at that point, if you can wait.

We also, as George mentioned, have people that are here and joining us from all over the country. And I just want to remind if you are a Twitter user, you use to need the hash tag USGLC and we'll follow your questions. And if you are answering the old-fashioned way like me and use e-mail, [my2cents@usglc.org](mailto:my2cents@usglc.org). So you can do that if you're in the room and you can do it. And we also, I want you to know, sent out an e-mail that you are going to be able to join us and we invited people to send questions in by YouTube. And we actually have quite a few and we'll show and share some of those.

DR. SHAH: Great.

MS. SCHRAYER: So let me start with my first question, which is that you have laid out, as you said, a very exciting agenda, one that all of us want you to be successful in and support. Before you got there, there was a little work done by the administration we applauded – the combination of the QDDR that Ann-Marie Slaughter has done just a fabulous job at trying to launch, and also the presidential study directive.

As you said, there was a draft leak that many of us saw in the paper. And can you share with us – we know that's not a final draft and we understand, and we know that there's still a little more work to be done – but as you entered and began to get involved in these reviews of how development fits into the administration, what are you most excited about that they're saying and what are you most concerned about that they're saying?

DR. SHAH: Well, I'll start with the excitement. (Laughter.) You know, the – well, I should start just by saying that we need more people at USAID that knows what a hash tag is – (laughter) – so that's part of our recruiting effort.

MS. SCHRAYER: We know that and we'll help you. (Laughter.)

DR. SHAH: Well, I'll start with the PSD. Of course, you know, this is a process I jumped into pretty late in stream. I applaud the effort. I actually think, in order to achieve outcomes and to build excellence against specific areas, you have to know you're doing that to begin with. And the fact that the whole administration, in a very broad way, has engaged on this process demonstrates, I think, one of my points, which is that development is really no longer limited to the traditional development community, but includes a very broad community.

And we want to bring them in and be inclusive of that against directed goals and outcomes. So I see that process as really helping us do that. I think there is more work to be done. And you know, hopefully, the next version won't need to be leaked; it will be out there in some proper form and we can all, you know, talk through how transformative I hope it is.

On the QDDR, I similarly share a great deal of optimism. You know, a lot of the things I talked about today – take one example: the Foreign Service nationals. I was wowed by the talent we have in missions that are nationals of the countries in which we're trying to work. For a development agency, that's a huge strategic asset because those are people that have relationships and knowledge and the ability to go out and see things, and just the depth of cultural understanding that allows our work to be well-informed.

Part of what we need to do to enable them to be very successful is ask the State Department to acknowledge their unique contribution because we have a shared approach on that and make some changes to allow for that to happen. There are a lot of examples like that.

And the QDDR is a great vehicle for saying, okay, this is important, we've got to fix this and we're no longer going to take as an excuse that we can't fix it without the State Department or we can't fix it without some other organization or agency supportive.

We're saying this is important, it needs to be fixed and we're going to fix it through that QDDR process. So that continues as well. I think in the fall, everybody will have much more detail on this. I think the fall is the time when I think a lot of that will be wrapped up. But what we're working through –

MS. SCHRAYER: Any concerns going – entering a little bit late and as you look at it, any concerns that you'd want to share with us?

DR. SHAH: Well, you know, yeah. I mean, look, the concerns I had were all the things I read from this community and others before I started – (laughter) –

MS. SCHRAYER: Did you get a few letters?

DR. SHAH: – and said, what am I getting into? But across the board, what I got into was a meaningful partnership with people that shared a singular objective. That objective is to elevate development. And I used – I kind of jokingly used the phrase “smothering with love” at my USAID town hall, you know, because we go to a lot of meetings in lots of different settings, but the core, driving objective of all of that huge constellation of meetings and dialogue is, how do we best elevate development?

I think the folks in this room have demonstrated that if we can bring together and demonstrate how development has its own singular moral agenda and purpose, it has a purpose in serving our national security and it has a purpose in serving the full range of our diplomatic priorities. We are relevant; we are modern; and we are capable. And if we make that transparent and easy to understand, I think we'll build the kind of base of support you've started to build here, and really elevate what it is we do.

MS. SCHRAYER: Great, terrific. Let's open up to the floor. I would ask, as you introduce yourself, but no speeches – questions – because we want to hear as many answers as we can fit in. Yeah, Mark, right here.

Q: Thank you. Thank you, Raj. David Lambert.

DR. SHAH: Hi, David.

Q: Could I focus you on agriculture science and technology? At a recent conference, experts concurred that our current, in the U.S., peer-reviewed agricultural research is about 1 percent of biomedical research. They noted the irony that so much of agricultural research is about preventing the problems that biomedical research later has to deal with in nutrition and food safety and others. Could you comment on that?

DR. SHAH: I will comment by agreeing. I think we need an agricultural research agenda for the world that is modern, it is forward-looking, it is built around the world we know we're all going to face in 2050. And I think when you back that out – and I think you're referring to the meeting in Montpelier, and we sent a strong team to represent our strategic thinking there – we have to do two things.

We have to develop productive, sustainable agricultural systems that drive production up in very vulnerable parts of the world, and we have to have a technology-development system that effectively gets those technologies out to low-income farmers, women farmers, people who don't often have the resources, in some of the most vulnerable parts of the world, to adopt technology in a traditional way. So I think we have to work across that full spectrum and I appreciate your raising that.

MS. SCHRAYER: Thank you. Tod, we have a question over here.

Q: Hi, Dr. Shah, thank you. I'm Stefanie Westerman with the U.S. Chamber of Commerce. I understand Congress has proposed a \$4 billion cut to the international affairs budget. I'm wondering if you could elaborate a little bit on how this would affect your programs if, indeed, this is sustained.

DR. SHAH: Well, you know the agenda I just laid out? (Laughter.) I just – well, I don't mean to be glib about this because at a time when American taxpayers are hurting, in a tough economy, we have to really prioritize how we use absolutely every dollar incredibly well. And we need to be transparent about that. That's why I was talking about transparency so much.

But we have a unique opportunity right now, and we have major programs that are on the cusp of real success in Afghanistan and Pakistan. We have an initiative in Haiti that is designed to be a long-term partnership with that country to prevent the kind of vulnerability we just saw. And these initiatives in health and food are really this administration's commitment and bet that we can turn around the increasing trend of global hunger.

Think about – I mean, we live in a world where, in 2010, global hunger will increase, extreme poverty will increase. The World Bank just came out with a report that said 65 million more people will live in extreme poverty. All of these efforts and the effort to just transform our agency will require the resourcing that we sought and we will seek in the FY 2011 budget. You know, you can't improve training for employees if you don't invest in that. We do need to recruit in higher technical professionals and technical staff in order to be effective.

And we need to do a better job of deploying. Some missions have mission directors who have a hard time getting the operating expense to fly to their neighbors to learn about what's happening in that place. I couldn't believe it. I just couldn't believe it when I started peeling back the layers on this. So if we're going to achieve modern standards of excellence, we have to invest in our system to do that, and that's what this budget is about.

MS. SCHRAYER: Well, I can tell you that we at the U.S. Global Leadership Coalition are going to work very hard to restore that funding and fully fund the president's request. Question from here – this side.

Q: Thank you, Administrator Shah. Gregory Adams from Oxfam. And I wanted to thank you for the energy and the vision that you're bringing to this reform effort. I wanted to ask you about two of the points you mentioned: clarity of purpose and tolerance of risk. You

operate, right now, under a legislative framework that is a complete mess. You've got 140 different goals, 40 different directives. The words, "notwithstanding any other provision of law" appear in the legislation 275 times.

This wasn't an accident. This is the legacy of the mistrust that has emerged between USAID and Capitol Hill. And you know, I hear the argument that the legislation is flexible enough that it doesn't restrict you. It also doesn't empower you. It also doesn't explain to a USAID mission director what they should be doing and how they should pursue their programs. It doesn't help you communicate with the American public.

However, there's a great opportunity right now in that you've got a moment where there's clear leadership on Capitol Hill. Chairman Berman has said he wants to rewrite the Foreign Assistance Act. There's reform legislation that's been introduced by Chairman Kerry and Sen. Lugar. Do you have a plan for how you want to engage with these leaders on Capitol Hill to fix the legislation? And if you're not yet ready, what's it going to take? What's the next step that you need to pursue to get to a place where you're ready to work on legislative reform?

DR. SHAH: Well, thank you. That's an excellent question and a great observation that these things don't exist for no reason. They have been built up over years and years of mistrust. The first thing I feel I have to do is repair that trust. And when I said that we need to be candid and transparent in our dealings with Congress, I said that specifically for a reason.

I, personally, when I joined the agency, was not – I was not happy with the quality of letters that were being sent, with the fact that we have representatives and senators that visit programs and have great interactions in the field, and then they come back and we don't have a good vehicle for letting their learnings and observations shape our own thinking. And you know, when I say we need to broaden and be inclusive, I mean that. And we need to start taking those perspectives far more seriously. And we need to be more transparent and candid. So I think that's part of it.

The other part of it is, this reform agenda I laid out for improving our own operational capability, I mean, as we go through that – each of them – you know, when we run into areas where we will need legislative support for doing something differently, we will absolutely kind of make note of that and go in a collective way to ask that, that be part of the legislative thinking going forward.

I've been surprised, frankly, by how many times I got something and I said, okay, this is what we want to do one procurement reform, and it means doing this, this, this and this differently, so I know that Congress created all these rules and we can't do anything. I want to see a memo from our general counsel laying out what we need. Every one of those memos we get back says, actually, you have – you know, on this one, you don't need anything. You have what you need.

I don't think that will continue, and we're going to keep pushing because I know there are some big areas where we are going to need things, and we should use the moment to seek that. But I'm surprised by what it is we can just put in place, and I think we need to be very



consultative and very interactive to make sure that we're doing that in a way that there's a common understanding as to why we're doing it. But I think we need to move as fast as possible to build excellence into our system, and I think there are going to be things we're going to need from Congress and we should go and ask for them as part of this. But I can't sit here right now and articulate what they are.

MS. SCHRAYER: That's great. Raj, we're going to bring in some of our YouTube – as we're putting it on the screen, before you do, what was fascinating was, we just threw it out to our full e-mail list, and a lot of them were young people. And so we picked, kind of, a few that were indicative. And so you can watch on the monitors and right here, and Andy (sp) will run one of them.

(Begin video clip.)

Q: Hello. My name is Salim, and I just graduated from the University of Michigan. Dr. Shah, as someone inspired by the president's call for public service, I am interested in working in the field of international development. What types of education or training should I be doing in order to prepare for a job with USAID? Thank you.

(End video clip.)

MS. SCHRAYER: (Laughter.) We didn't plan that. We got a lot of those. And I have to say, as a Wolverine, this is – I didn't even pick that. (Laughter.)

DR. SHAH: (Chuckles.) Thank you. Well, I will say, I had the chance – well, thank you, Salim, for that question – I did have a chance to see that Bill Gates had gone to a university and spoke and at the end, people said, wow, that's great that you found a way to be part of this mission of making the world a better, safer place; how can I participate?

And his response was, well, I hear USAID is hiring, and I hear they're doing innovative things. So I wanted to make sure I say thank you to Bill – (laughter) – who is, you know, one of our better advocates on that.

I think we need Salim's talents in-house as quickly as possible. I don't have a lot of great answers as to where you get the technical expertise that makes you an expert in the practice of this discipline, but I do have a few observations. It's probably not what it used to be, you know, in the sense that an MBA – you know, I've been in the health field for a long time. Everybody in health is like, oh, you're a doctor so you're going to know how to run this health program. And are there any other doctors here? Am I going to get in trouble? I'm sure there are a few medical – okay, sorry in advance. Doctors don't always know how to run things. We never learn that in medical school.

People with business backgrounds and people who kind of understand operational management, know how to look at cost indicators, read financial reports – a lot of that is, I think, some of the skill set we need. We need people who can be analytic because take Haiti for example: A lot of the early feedback was, okay, we've distributed 16,000 tarps to our

implementing partners. And they'd say okay, that's great. What's the total need? What's the solution – what percentage of the total need is that and what's our thinking for the – assume it's 85 percent of the need that we didn't meet with that distribution – how are we going to deal with that?

And we didn't have the kind of analytic systems in place to do that, so we actually sent down a team with – their sole focus was to produce that kind of information. So sector-by-sector, you were not just getting an activity report, which tends to be – we get a lot of activity reports. It tended to be, what's the need, and how do you build against that need.

In health and food – in our food security, you see the same thing. So many efforts are, this is a great project. It will reach 600 farm households. And isn't that a great thing to do? Yes, that's a great thing to do, but what we really need to say is, if you're working in Ghana and there are 7 million people that are at risk of being food insecure, what percentage of that problem are you solving, and how do you get to 70, 80 percent of solving that problem?

And what's the five-year or 10-year strategy to really solve a problem at that scale? I think you can do a lot of that with strong analytics, with good modeling skills, with ability to listen to people. And wherever you can hone those skills, I'd say hone them and come see us. Absolutely.

MS. SCHRAYER: Terrific. Let's take two questions and then I'm going to ask my colleagues who are monitoring the e-mail to join us with a question. Right here, and then one over here.

Q: Thank you. My name is Neelima Grover. I'm from the QED Group. Thank you very much for sharing your vision with us, Dr. Shah. I really find it inspiring. Just a quick question: You've talked a lot about monitoring, evaluation, the need for transparency, the need to demonstrate results. And you know, I absolutely agree with you and I'm very heartened to hear that.

The question that I have is, it's very challenging to do this kind of evaluation work and to do it in a cost-effective manner. And when there's only a limited amount of money available – and as you know, this is always a challenge in terms of prioritizing. How are you going to really do evaluation work?

And the second part of my question – so one is a resource question – the second part of it is, you know, to really do evaluation, are you talking about developing a culture within the agency to have that evaluation mindset? And that's something that – you know, USAID has done things looking back, but really not looking forward. So how do you intend to do that?

MS. SCHRAYER: Wrap up. Great, thanks. And let's take one more here, and if you don't mind.

Q: Sure, Kate Phillips-Barroso with CARE, a longtime USGLC member and also partner with USAID. And I also wanted to echo the applause for holding this, too, because this

is an excellent way to engage your partner and your base of support. So the question I wanted to ask was related to the policy and planning capacity that you mentioned would be created at USAID. And you had quickly mentioned budget capacity as well.

So I'm curious because you made the remark about aligning resources behind we know what works, which is excellent and key in terms of moving forward on positive outcomes. But I wanted to know if you could talk a little bit more of that because I think what we've seen in recent years a lot of times is the budgeting actually sometimes drives what we're doing, as opposed to deciding what we're going to do and then deciding to fund it, and it being a critical capacity for USAID to have control over its budget, and in terms of being able to have those sort of flexibilities.

MS. SCHRAYER: Two easy questions – monitor and evaluation, budget. (Laughter.)

DR. SHAH: Great. Well, let me thank you for that observation and the question. You know, I think we need to recognize that it's not just monitoring and evaluation, but it's understanding the impact you're having, and that, that is worth paying for. We're in a field that, often, it's very nice to say that, you know, 98 percent of every penny spent in this effort delivered a service to a child.

And that's wonderful and it's heartwarming and it's important to be very efficient. We need to build a culture that values spending real resources to do real impact assessment around major investments. And I have a few thoughts on that. One is, I don't think you can do it on small projects because there's the economies of what it costs to collect baseline data in the implementation of the project to build a study design into the design of a program. It's just usually not worth it for something that's relatively small, so I think we have to do less smaller programs and focus on larger, more strategic initiatives that are often, kind of, sector-oriented.

I think part of it is that we have to be absolutely sure that, in program design, we're building counterfactuals and we're building in collection of baseline data. We have to be willing to pay for that. And then part of it is, we have to show people that it's okay to learn from success and failure. And that speaks to your culture point. We've been talking about having evidence summits, where program officers come and they talk about their projects and programs – what works and what doesn't.

And I actually think – and this came from Michael Kremer, who's a well-known development economist joining us – he said, well, let's also have failure summits because here, we have to be so aggressive about demonstrating that we won't get penalized for failure. You will get rewarded if you're transparent about it and you learn something from it and that helps us get better.

These things don't change overnight. Ruth Levine joined our team to lead this effort, and I have a lot of faith in her, with – we're going to have a great team. We have some great assets already. I'm very committed to this space. And I just think there's no way around – we have to be excellent at this in order to rebuild the trust and in order to back up all the great advocacy work you all in this room are doing. You owe that from us.

MS. SCHRAYER: And budget.

DR. SHAH: On budget – you know, budget’s a little bit harder – (laughter) – I’ll admit. Look, at the end of the day, we want to have a strong degree of financial accountability at USAID for our budget. We want the general public, Congress, the State Department, OMB and everybody else to hold us accountable for being able to plan and implement a budget.

So we’re working through how we do that in the context of current process. I think the QDDR is very helpful for that. There are a few themes that are emerging that I’m – that I’ve talked about. One is, I do think we need tools that allow us to track fewer things, but more important things.

You know, we’re in this world where there are, like, elements related to sub-indicators – and I’m sorry if I’m losing some of you on this, but it took me a while to learn it – but the point is, it’s so – we’re spending a lot of time and energy categorizing things and tracking things, and I suspect many of you, as our partners, are spending a fair amount of time tracking things on our behalf – (chuckles) – or as required.

MS. SCHRAYER: A lot of heads are nodding.

DR. SHAH: A lot of heads are nodding. You know, that’s good for some things, but we can probably do a better job of really honing in on, what are the things we think of as serious outcomes and serious process indicators? And you do have to track some process indicators that demonstrate you’re on path, and try to slim and narrow the degree of reporting and operational planning.

I think we also have to go to a format where we have people thinking, planning and budgeting over a multi-year timeframe. It’s very hard to do because as we are seeing this year, appropriations will bounce. But a lot of federal partners do it. I look at – I was at USDA and we borrowed a budgeting system that the National Institutes of Health uses.

They get their money in annual, one-year appropriations, but they make multi-year commitments and they plan out and budget and, you know, they have enough historical experience to know what to expect, going forward. And there’s a responsible way to manage that. So I think we need tools and capabilities to do that, as well, and I think that will empower our people to be more effective.

But I realize I’m leaving some answers – I’m leaving some parts of the question unanswered. I do hope, really, pretty soon – within the next few weeks – we’ll come out with our vision on the budget piece. We’re working through it. But everyone supports the common frame that we need to have much more budget accountability and we need to be able to perform to live up to those higher standards.

MS. SCHRAYER: Let’s take two questions – one from the e-mail and one more from YouTube. And I know we’re nearing time to wrap up.

MS. : I have a question from a Jessica – I’m going to butcher her name – Wisensel (ph). And it says, “I am a teacher in Akron, Ohio, and I want to know what I can do to help. Obviously, I don’t live in the Washington, D.C., area, so what can I do?”

MS. SCHRAYER: Great, and why don’t we – if Andy, we can play one more YouTube. I think this is another student.

(Begin video clip.)

Q: Hi, my name is Kelsey Viets, and I’m a diplomacy and foreign affairs student from Miami University in Oxford, Ohio. These days, it seems that some of the most pressing development issues are in conflict or post-conflict areas like Sudan or Afghanistan. As someone who aspires to work in development one day, how should international development professionals work with the military in those circumstances?

(End video clip.)

MS. SCHRAYER: So we have Ohio. (Laughter.) She is way in and they want to help. So what are your thoughts on, how can people outside of Washington help and how are you working with the military?

DR. SHAH: Well, I’m tempted to let you answer the first question, but I think a big part of what people outside of – not even Washington, but in Washington, around Washington, all over this country can do, is support the U.S. Global Leadership Campaign –

MS. SCHRAYER: I like that. (Laughter.)

DR. SHAH: – is aggressively raise awareness. You know, I’ve been so impressed by USGLC, by the ONE Campaign, by efforts that bring millions of people into this mission. And there are ways to serve, to contribute, to give, but your voice is really very, very important. And I would just say continuing to broaden the types of people that support this work and the vehicles for providing support and getting engaged would be very important. On the second question from Ohio – what was the – I don’t actually remember.

MS. SCHRAYER: I think she’s interested in how you – how you are working with the military.

DR. SHAH: Oh, working with the military, right, right. So you know, I think – and this was why part of my remarks were about Afghanistan – you know, this is a top, presidential priority to keep our country safe and to build the kind of relationship with Afghanistan and Pakistan and that part of the world that is based on mutual partnership between the peoples of our countries. And development plays a role in that.

So we have to do that. I think we have some unique responsibilities to bring the insights of our discipline to that dialogue. We have to talk about sustainability. We have to think about –

you know, we have to be honest about where security will preclude certain types of investments and activities.

I look around the room and I know some of your organizations have lost partners or people in this effort, and we need to honor their service. So at the end of the day, I believe this is a big part of what we have to offer, and it's part of demonstrating our relevance and it's part of achieving the president's priorities. And it's part of keeping our country safe. And so we have to do it. And we should do it. And we're excited to do it.

And I also think that as we improve our civ-mil cooperation in these places, we have a broad range of models, now, and we need to look at what works and what's less effective. And I could go on for a while on that, but I don't think that's what they wanted.

MS. SCHRAYER: Your staff will be mad at me if I let you go on and on and not end, but before I call Bill Lane up to close the program, let me close with this: I'm sure there's a lot of people who have so many questions to ask you so we want to invite you back again. We're going to invite you back many times.

But if we were sitting here a year from now, which we are extending an invitation, and we can look back and we ask you, Raj, what did success look like, how proud we can be of what you think is realistic to achieve – very ambitious. You need to find a lot of people. You need to train a lot of people. You need to integrate. You want to put all these pieces in. What does success a year from now look like for you?

DR. SHAH: I think that's a great question. Look, I think it's exactly what I was talking about. You should expect that we have put in place a tough set of reforms and operational changes to help us achieve excellence in how we carry out our work, and you should have tangible examples of how that's making a big difference. These things are not going to happen overnight.

But we need to build on those examples where these reforms lead to the kind of behaviors and the kind of programs that are the things we can all take great pride in. I think you should also expect a greatly empowered and a much more vocal USAID. You know, this is – the commitment of this administration from the secretary of state, the president, the secretary of defense and so many others is for us to use our voice in a more effective way against the problems of our time, against our national security and foreign policy priorities, and where we have unique purpose, like in achieving the Millennium Development Goals.

I'm amazed, when I travel around the world, how willing our partners are to hear our thoughts. And you should expect us to be a fountain of ideas. You should participate by sharing ideas with us. And you should expect that. And I'd say a third thing: You should expect extreme transparency. I don't yet know what that means, but you should be able to get online – (laughter) – and see everything we do and how we're doing it.

You know, we live in, just, a different world. And if we – I – and I'll close with this because I really do believe if this community can make this work transparent, when you can

show someone that you're educating a child for \$1,000 a year and that education pays massive dividends in improving human welfare, everybody wants to buy into it. I mean, we have the best potential business model out there, if we just let it be known in concrete and specific ways. And that's what our transparency efforts will be all about. So thank you.