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JACK LESLIE: Good afternoon everyone, I'm Jack Leslie. I'm Chairman of the Advisory Committee on Voluntary Foreign Aid. Thank you for all coming, this must be the hardcore group - you are here for our last meeting of the year on a cold day. I also want to acknowledge all of my colleagues on ACVFA who are here. We've just gone through a business meeting of our own and many of them are here, and I'm hopeful they will also be active participants in the discussion this afternoon.

Before we begin, I thought we ought to take a moment and reflect on the loss of Nelson Mandela who for so many of us, especially those of us here who have dedicated our lives to development and to humanitarian causes, I know was an inspiration. I first had an opportunity to meet him shortly after he was released from jail in South Africa when I was working with the ANC. And today we are going to talk about, among many other things, the linkages between fragility in democracy and the cause of ending extreme poverty and certainly if there was anyone in recent times who did -- there was no one in recent times who did more than Nelson Mandela in that regard so we take a moment to reflect on him and his legacy.

President Obama, as all of you know, in the State of the Union address back in February set the tone for the conversation today in talking and calling for eliminating extreme poverty in two decades and he talked about it in a number of ways and I hope that both Raj as he speaks and the panel afterwards digs into those and that you'll ask lots of question and engage in a conversation. He talked about increasing global connectivity, about empowering woman and saving children from preventable deaths as all of those in ways that we can move towards this goal. And of course, USAID and all of us in the global development community play an integral role in that.

Today we want to talk a little bit about, first of all, a shared understanding of what extreme poverty means, how we're going to measure it, and how USAID and its partners in the development community can really begin to measure progress over these next two decades. If you haven't had a chance, I'm sure it's online or on the website, you should take a look at Raj's recent speech at the Brookings institution because I think he very kind of astutely pointed out that eliminating extreme poverty isn't just about increasing incomes and food consumption for all of the world's poor living on \$1.25 a day, it's really about insuring that all people can insure the most basic freedoms and live a dignified and healthy life. And so as we talk about eliminating extreme poverty, and we've had a good deal of this discussion among our committee as we just met, it's a much deeper subject than sometimes those who are really focused on it understand. We will also as I mentioned look into fragile conflict states, natural disasters that often times complicate the path towards much inclusive growth and I hope that the panel starts to identify a number of alternative approaches from experts like yourself.

So I am looking forward to, I know we all are, this conversation and I first want to introduce the administrator Rajiv Shah who is going to talk to us about the agencies commitment to getting to zero and opportunities for partnership with all of you. Raj.

ADMINISTRATOR SHAH: Thank you. This is the die-hard few that have weathered the difficult weather this week in joining us for our last meeting of the year so thank you very much. It is wonderful to see everyone again. Thank you as always to Jack Leslie who is our superstar board chair and has really helped ensure that the ACVFA board has added so much value to USAID thinking and work, thank you Jack, I am very grateful. I also want to take just a moment to ask you all to thank and congratulate Sandy Stonesifer. Sandy has been leading this effort

from USAID has done an exceptional job, has brought a quality of effort and a personality to match that has helped this be very successful and Sandy is moving on, but we are proud to have had you here Sandy and thank you very much for your service.

You know, just this morning I had the chance to have a conversation with USAID town hall and members of our ACVFA board with Jim Kim, the president of the World Bank, and Jim I think has become a powerful and clear advocate for what is really a simple proposition: that these institutions, forged after the second World War, in fact were created under the basic premise that if we can effectively address poverty and vulnerability around the world we will make ourselves safer and more prosperous. And it is interesting that we find ourselves at a time 50 or 60 years later where we need to reaffirm the core purpose of these institutions as fundamentally being about ending extreme poverty to realize that result. And so it was almost a year ago that President Obama called on our country in the State of Union to help end extreme poverty and its most devastating consequences of child hunger and child death within two decades.

That was then followed by the UN high level panel report led by a number of heads of state and there was John Podesta from the United States that represented President Obama in that setting that endorsed that specific vision calling for a zero poverty goal by 2015 and delineating in the less read but more important annex to the actual report what that actually meant in terms of reductions in child death and rates of hunger and access to water and protection for girls. And in fact, it is easy these days to be skeptical about any redirect that feels ambitious because we are currently celebrating the potential news that we just got short term budget deal and we are all very excited about that, but it just shows that we've redefined what success can look like in some settings.

I guess, so it's easy at a time like this to sort of say "well why would the president stand in front of the world and make that call?" and the answer is if you take the long view, our leadership ambitions matter. When they constructed the Millennium Development Goals, they were not seen as so important when they were launched, they are seen as important in retrospect when you see the efforts of thousands, hundreds of thousands of people and institutions, and political leaders start to measure up their progress based on assessing themselves against those goals and aspirations.

And in the same way, we are in a unique window of history where if we set the goal of ending extreme poverty, we actually have a fighting chance of achieving it in a time frame that is historically speaking, very short. 15 years after the current goals expire. And we have that confidence because we have seen that since 1999 the total number of extreme poor has declined by nearly 50 million a year. We know there have been major reductions in child mortality and death related to disease in that time period as well. We also know that this phenomenon is not, although common perception is that it is, but it is not driven entirely by a few large emerging countries, but rather since 2005 has been pervasive across every continent on the planet. And we now have a relatively clear roadmap as to what it can mean to address extreme poverty which I would like to share with you and which I hope today's panel will explore in some detail. And you should ask questions and be skeptical and force our folks to share with you, you know what we can do. But because of this extraordinary record of progress and learning, we believe there are some ways where the United States can lead this global effort.

Back in 2010, President Obama recognized that the fundamental elements of ending poverty, the

only way to get there was to accelerate broadly based economic development and the only way to achieve that was to improve governance and usher in private investment. And as Jack noted, when we talk about extreme poverty, we are not actually talking about people who live at just \$1.25 a day. We are in some sense, in the sense that that's right now the best measure we have for a condition of humanity where a family takes for granted that if they have three or four kids, there is a nearly 50 percent chance that one of them will die before the age of five or a condition where people take for granted that there will be a hungry season this year as there has been every other year during which we know the mother won't be eating her meals fully and often, the children won't either or they don't even expect that their children, in particular girls, would go to school either because it's too far, there is no school, it's too dangerous, they don't have the resources to support it. Or, more likely, because the basic expectation is that children work, too, in a sort of subsistence environment.

The best we can do to measure that reality today is to measure extreme poverty and report on our progress, but as most people in this room know, this is not about a precise measure of poverty or getting people to \$1.26 a day. This is about changing the human condition for the world's most vulnerable people

And so then, it's fair to say, "Well, what is the United States going to do to accelerate this effort over the next 15 years?" First – and I'm going to lay out five areas that I hope the panel will discuss – first we need to scale a new model of development. It's a model of development that embraces public and private investment simultaneously, where we reach out ahead of time to find private sector partners who can -- whom we can hold hands with and whom can hold our hand in entering new, deeply emerging markets and laying the groundwork for economic

development and growth that touches the very poor. Often, that will look like NGOs or partners of USAID's being used to get to the extra last mile to reach the most vulnerable and connect them to a supply chain or a business process or a business environment.

Second, we need to strengthen our focus on fragility. It's actually been true for at least a decade that some body of literature has suggested that development activities should really only take place in countries that have what were traditionally known as strong policy environments and were already on a path of strong development. That's important data to understand, but if we're going to be successful with this goal, we need to actually pay more attention in a more -- with higher expectations of results in places like Haiti, Nigeria, Liberia and the DRC and higher expectations of results means more local ownership. It means more accountability. It means everyone concentrating on the sub-geographies in those areas where the extreme poor are more prevalent and it means measuring and reporting on those outcomes and you will hear more about the "New Deal" for fragile states from Nancy and others.

Third, we need an expanded emphasis on resilience. Our nation has and will continue to absolutely lead the world in humanitarian effort. We have, year after year for six decades, deployed nearly \$4 billion in just core, pure humanitarian assistance each year. We can use that investment to help build resilience so that people need less humanitarian support after dire weather or disasters that we know are going to be increasingly frequent. Nowhere is this more clear than in the Philippines -- and I want to thank many of you for partnering with our teams to help lead the emergency response -- but in just the last 10 years, the global community has spent \$90 billion on humanitarian assistance in just nine countries. Essentially, responding to the same disaster over and over again. This is the fifth time since 2009 that we have been called to

respond to a significant typhoon in the Philippines alone. Now, we know we can't prevent droughts or hurricanes from happening but we can work harder to protect families so they're not set back on the pathway out of poverty by these types of natural events.

Fourth, we can empower marginalized communities, and a lot of our work is and will continue to be in lower-middle or even middle-income countries. Susan Reichle earlier shared an example from -- with President Santos here talking about a shared effort in Columbia. When we work in those settings, we have to put extra effort into ensuring that our programs lean on the side of reaching those who are marginalized, standing up for their rights and their values, as well as providing ladders of opportunity so they can move themselves out of poverty.

And fifth, and I just added this thanks to great comments from the ACVFA board earlier, is we should lead the fight against corruption because President Obama believes with passion and commitment that corrupt predatory governance is what holds a lot of people back in this world. And, in fact, the United States already leads the world in fighting corruption through the standards we insist upon as part of the Foreign Corrupt Practices Act through an incredibly robust enforcement regime around that. And while people will say, "What do you have to offer relative to other countries that don't observe those practices but might show up with more money?" The answer is really told by those who are the recipients of the norms and standards that are businesses help create. And so we should more aggressively prioritize the fight against corruption as part of the fight against extreme poverty, and we should come up with ways to leverage the fact that America already leads through its laws and its enforcement of those laws in creating certain norms and practices.

This has been a difficult week with President Mandela's passing. I had the -- I, like many of you in this room, had the opportunity to have my one moment with President Mandela years ago when he served as the chair of something we at the time called the Vaccine Fund and I was in South Africa and I remember being impressed that he was chairing a meeting for a whole day and that I was just going to be in the room with him. But what was really exciting was there was a period of time where he took pictures with everybody and was talking to the press and he -- and so everybody walked by and he asked people where they were from and I was the first American he got to and so, when -- and he clearly had a statement prepared for the press because this was right after he had beat up on President Bush about the Iraq War. So he held my hand for what seemed like five to 10 minutes -- it was probably just two -- and delivered his prepared statement and did it with obviously, no notes. He wasn't looking at me, he was looking at the cameras and he knew exactly what he was doing, and then he let go of me and walked right on.

And his statement was basically that America's leadership sends moral signals. When we lead with the UN with us, we send the moral signal that we act collectively. When the President stands up and establishes this goal, whether or not every part of our federal government is going to get a budget increase to go after it, he says the moral signal that this is worth coming together to do. So thank you for being here through snow and the bad weather and thank you especially to our ACVFA Board. Thank you, Sandy, and I really do look forward to the panel that will now come up and their thoughts on these core concepts of how we can renew our commitment to end extreme poverty. Thanks very much.

SUSAN REICHLE: Great. Well, good afternoon, everybody. I'm Susan Reichle and I'm the Counselor to the Agency for International Development and I am so pleased to have the

opportunity to moderate not only this panel but really the discussion on getting to zero. We just have a wonderful panel – starting with Anne Goddard who has just joined the ACVFA board. Many of you know her as the present CEO of ChildFund International and Tim McLellan who is another new member of our ACVFA board. Actually, they asked, “So when you're a new member to the board, is this sort of like your hazing?” You know, you've got to get through one of these meetings, but no. It's a real opportunity but we are so pleased that you could join us.

ANNE GODDARD: No, I said that. I said that. That's what I thought.

SUSAN REICHLER: That's right. So we have Tim from TechnoServe and then we have the Assistant Administrator of our Democracy Conflict and Humanitarian Assistance Bureau here with us. Everybody knows Nancy Lindborg. It's just a real pleasure. So we can dive in deep to these issues of fragility and resilience. And then Alex Thier, the head of our Policy Planning and Learning Bureau, who has been working with some of the team I see over there in the corner over the last year, really getting this agenda off the ground.

So as you can tell from the Administrator's remarks, that we are still really developing this agenda. I mean, he took away from the private board meeting we just had, the importance of, obviously, corruption. So, while we're going to ask a few questions up here, what I really look forward to is turning it to you to raise questions, issues, to advocate for things that you think we should be thinking about so that, really, at the end of this hour, we have an opportunity to walk away, I think all of us, a bit more knowledgeable and informed, and really empowered to really go after this goal, which is an extraordinary goal that has not only resonated obviously here in the United States, but as the Administrator talked about, within the international community with

the work of the high-level panel, with the work of all the institutions together to really think about, "How do we end extreme poverty within a generation?"

So, on that note, I'd like to start with my colleague, Alex, to just provide us a little more granularity on what the Administrator just discussed in the five areas that we're focusing in – what we may expand, may detract – and how really -- how is USAID going to make this real? Because it's one thing to have a policy objective. And even to have a target. But how do you see us really moving forward as a community?

ALEX THIER: Thank you, Susan. I just want to go off-script for one second, just to acknowledge -- because I really felt it with the Administrator's remarks. I mean, we're having kind of an amazing day here today, with Jim Kim here, with the remembrance of Nelson Mandela. And I'm just really struck by what a powerful moment we are in because I think there are two things coming together that I really personally -- I don't think I've seen in my lifetime of doing this kind of work. We have this incredible goal, this inspiring goal, which is really -- if we could achieve it, would be I think one of the best things that humanity has ever gotten together to do. But together with that, what we have is this incredible amount of leadership. I mean, from the president of the United States, from Pope Francis, who talked about the scandal of hunger yesterday, from USAID and the World Bank coming together. So yes, it's great to have a powerful goal, but to have institutions and resources and leadership lining up against that -- that is, I believe, going to lead us to a point in two years with the world at the UN declaring this as a global goal is just -- it's kind of an incredible moment. And so, I want to acknowledge that, because I -- it's making me very excited anyway.

[laughter]

The -- but to answer your question, I think there are really three things that I would point to about how we take this and make it real. The first is really understanding what we are already doing that contributes to these objectives. The Administrator talked about a couple of important things, programs that focus on economic growth, and talked about partnerships. And of course, one of the best things that we have done collectively -- the NGO community, the international community, our partners -- in the last couple of years -- is around food security and the New Alliance. This has an explicit goal of lifting 50 million people out of extreme poverty. And USAID's portion of that is 20 million people. And so, that is a concrete goal that is, first of all, declared, which is important. And second, it's being measured. There are resources allocated against it. And it gets at not everything, but one of the fundamental things that we know is a critical driver of poverty, getting people out of poverty, and making it sustainable, not only by improving agriculture, but actually explicitly trying to get people to engage in market activities so that that gain they feel is going to be sustainable in the long-term.

And there are a number of things like that. We talked -- the Administrator talked a little bit about our resilience efforts that Nancy might talk more about. But really looking at the things that drive people into poverty year after year and actually trying to attack the root causes of that is really where a lot of what USAID is already doing. And so, capturing that, acknowledging it, measuring it is going to be a very important guide for us in terms of what it means to move forward with this agenda.

The second thing -- at the risk of repetition -- is partnerships. You know, when you look around

the room at our partners here, at home, within the NGO community, within the philanthropic community, you look at the work that we're doing on working more creatively with our traditional donor partners, but particularly bringing in outside partners at the local level and at the international level, in the private sector.

One of the things that's astounding about development today versus 20 years ago is that we are now -- overseas development assistance is only about 10 percent of the money that's going to be invested in developing countries. And so it's not just that we want to partner because it's nice to have partners. I mean, without these sorts of partnerships, we cannot accomplish major goals because the big resources are elsewhere.

And USAID is doing so much right now. I almost feel like we are in a -- we're kind of in this start-up phase -- somebody said this to me the other day when they came to our office -- because we have -- we are breaking down walls that have traditionally existed in terms of how we partner, who we partner with, how we can invest. And it's very exciting to see. And unlocking our own resources, to unlock the resources of others is really powerful. And that brings me just to the third thing. And this is where I'll end. And that is about accountability.

SUSAN REICHLE: [affirmative]

ALEX THIER: I think one of the most powerful things as a person who came to USAID from the outside a few years ago, that I have seen happen with this organization, is our determination and our ability to be accountable for our resources, to be accountable for results, and to be transparent about that. You know, we have an iPhone app that literally has every single

evaluation that USAID does and is published on the DEC. You can find it, USAID DEC. You can download it. And that's amazing. Because as somebody who worked in the outside community for many years, I would try to get USAID evaluations of this or that thing. You couldn't do it. It was often a black hole. And the fact that they are all available, without exception, the good, the bad, and the ugly -- and there is some ugly out there -- we all know it and that's the only way we learn is by looking at the ugly -- that that's out there. And it's attributed, in part, to you, Susan, who was my predecessor in this job and really pushed the Agency to do this.

But it's also about accountability at the local level. You know, one of my -- the most profound things that I see when I look at the countries that are succeeding developmentally and the countries that are not doing as well -- and the single most salient feature is about legitimacy and democracy and governance. It's about the extent to which those governments and those societies are inclusive, that they are democratic, that they adhere to democratic principles not only by holding occasional elections, but by involving their citizenry in decision-making. And critically, by involving their decision -- their citizenry in the financing of their own development.

One of the things that we've been talking about a lot this year is domestic resource mobilization, which is a fancy word for taxation and whether it's of your own domestic population and their income or revenue streams that come from natural resources. Domestic resource mobilization is the biggest pool that is out there for financing of development. And we know -- having been through this ourselves and the United States and every other country -- that fundamentally the social contract is built not only by giving citizens rights, but also citizens responsibilities to contribute. And when that exists, and when citizens contribute to their own development, it

strengthens development. It strengthens local ownership. It strengthens government accountability. And so, we have to demand accountability. And I think part of this -- Raj's realization about the importance of corruption and tackling corruption is fundamentally that it is at the heart of this accountability.

SUSAN REICHLE: Thank you. That's a wonderful framing for this. And I think a wonderful segue to Anne. Because one of the things we were talking about earlier is that as we look at this goal, of going to zero, it cannot be us, the international community. It can't be just a plan that's cooked up here in Washington, or Geneva, or any of the major capitals. That ultimately, the poor engaging in these issues, and really having a seat at the table. Anne how, from your perspective and from the work that you've done around the world -- how do you see us -- how can we all be better partners to engage local actors? And other stakeholders who really are part of the solution.

ANNE GODDARD: Thank you. Again, you get asked to be on a panel when you just had a one-and-a-half hour meeting. But we're an advisory group, so I bring my outside experience to this discussion, which is first, I think that if -- during the next two years -- ending extreme poverty ends up being on the top of the MDG agenda, I think we as a community have already started aligning ourselves during the current MDGs behind that agenda. You're right -- as Raj said, I think it got off to a very slow start. But then it really did get momentum. So if we're out of the door with momentum, we have more the ability to accomplish more in the next 20 years, I think, than we did in the last. That's first.

So if that ends up being there, I think there'll be a natural alignment of different players. Not all

players, but many players. Second, I would say that I think it's important that this whole process is not only aligning institutions, but it's also aligning people. And I think it's very important to bring the voice of those that we're working with and for and alongside in the countries we're working in to the discussion. For example, we're -- we did a survey recently in ChildFund -- focus group discussions. 41 countries, 55 groups of children. What are their concerns? And we brought that, presented that. And that was fed into part of the high-level panel.

And the one issue that came up very much from them was violence. That was the number one concern. Number one obstacle from going to school -- violence. Violence in the classroom. So I think it's really important that we continually bring along the voice of those that we're working with. And that's as individuals and then the third, I would say -- or the second -- would be a civil society, local civil society groups. I think there are many international NGOs in the room here. We've been working for years with local partners. We have at ChildFund -- one example, we have over 500 local partners we've been working with for a long time. They're key players in the development of their country, you know? They need to get involved in the process, in the discussion.

Now, if you involve people in the next two years, you'll get, obviously, a lot more buy in when it comes out. And then you'll -- there'll be natural partnerships that end up developing out of that.

My last comment, I would say, is we talk a lot about public/private partnerships these days. And obviously, they're very important. And we -- the private sector -- that's why I'm not sure -- they're the ones, in my mind, when we talk about getting behind the ending extreme poverty -- I think that's still going to be a, you know, challenge. The question is that -- in my mind, will that

be something that they'll buy into readily? But they're obviously a major player. I just came back from visiting our office in Mexico. They have 53 partnerships with local companies. Blew my mind when I went there. All kinds of different partnerships. And they -- and we picked out one, the most in-depth one, I would say, which really was the mining industry. What they really -- the mining industry really opened up about the problems that they caused in the local community and how they're really trying their -- they love now the fact that with this partnership, they're at least in the same room with the local community, where they couldn't even get in the room before, the relationship was so bad. So that's a plus. But they said -- but we talked about after they left, how can we then start influencing their practices, obviously? Because that's contributing to ongoing poverty. And that's a sophistication in that public/private partnership that some organizations have developed, others haven't. And we need to do that.

But I would say the other thing in public/private partnerships is on the private side. We all know the definition of "public." The private, actually, has two definitions. It's private for-profit and private non-profit. And I think we have to think not only in the private for-profit, but also in the private non-profit, both here and in the countries we work in, how to bring that collective voice into it. If people have a -- a part in the discussion in the next two years, they'll buy into it and there'll be other opportunities for doing business that come up, from having those worthwhile discussions.

SUSAN REICHLE: All right. Thanks. So we've heard a bit from the -- a government perspective on how to attack this challenge. And then working with local stakeholders and transitioning into a discussion on public/private partnerships. And from your perspective, Tim -- I mean, how -- what do you see the role of -- how do we get to scale? Because ultimately -- and

the Administrator talked about this as the first area that we all know we need to be better at -- how do we actually scale up those solutions? Because this -- we're -- while we've had incredible results, as Alex and the Administrator have framed, over the last several decades, we also know that this is not going to be easy. There are still 1.5 billion people living in extreme poverty. And so, what -- from your perspective, Tim, what do you think are some of the tools, some of the things that we should be thinking about as we attack this challenge?

TIM MCLELLAN: Thank you. I've been asked to speak in terms of kind of what we can do to entice the private sector to be a little bit more involved. I should clarify that TechnoServe is a non-profit organization. We are, however, very much involved with working with the private sector. We work broadly in economic development, working to improve market systems, improve inclusion around various markets and value chains and entrepreneurship around the world.

So I guess in that sense, we feel like we're often a little bit at the cutting edge of what I think all of us, as leaders in the non-profit sector -- maybe the traditional development sector -- are encountering, to look at new ways to fund our programs, to develop constituency for them. And certainly, we find in our work that the private commercial sector is a little bit different from the non-profit sector that Anne, I think, has said is also a big part of change -- is certainly an area where there is just a lot going on. I've -- I'm sitting here with a lot of gray hair. I earned that gray hair kind of in the traditional development space, frankly. And I'm quite astounded at the transition of how multinational corporations, regional companies have really started to play in a very real way, a very transparent way in the area of economic, social, environmental transformation, around their supply chains.

And I suppose we sort of look at that writ large as the forces of globalization, and transportation, and communication. Products are made and assembled from all, you know, different parts of the world. Markets in Africa now are very attractive to companies where even, you know, just a few years ago they were not.

So the game really has changed. And it's changed almost faster than we can keep up with it. So I think it's quite natural, as we set out a sort of stretch goal here around extreme poverty, to look to this transformation and say, "Well, you know, what can it -- what part can it play and what role can it play?" And perhaps, you know, just really this soon after the president's announcement earlier this year, we still probably have a few more questions than answers. And I'll maybe just put out my own as I read the document that's been provided as a background for this discussion. I think a couple of things come to mind for me. First of all, you know, in public/private partnerships, it's still pretty early days. And I think we need to acknowledge that. We're still getting used to -- sort of from the public sector trusting the private sector. The commercial sector itself trying to figure out, what is all this weird language you guys speak from the development world? And how do I work with you? I know in our own context, at TechnoServe, we find that we're actually a pretty effective broker of these two kind of different energies, different languages, if you will. And you know, I think in each transaction, in each sort of new investment, inviting the private sector to the table -- I think we need to acknowledge that we're going to have to get through that. It's not something that's easily bridged.

And if we want the private sector, kind of from the development side of thinking, to keep invested, we have to keep listening to them. We have to understand that they're coming to this

engagement with their own very specific interests. And they're competing -- you know, this market -- this global marketplace, we can think of it as a world of opportunity. It's also a world for them of very much increasing competition and increasing challenge. So nothing is easy on their side of the table, as we find it, as trying to manage, you know, development organizations in very changing contexts -- also challenging. So being patient with this newness, working with it, being iterative, working with demonstration programs, thinking about pilots and learning, this kind of sense that we all have -- I think -- around monitoring and evaluation. Well, thinking about trying something new and then thinking about what does that pilot say to scale? Have we piloted scale? Or have we just piloted something that can only be done in a small place?

So this kind of [unintelligible], I think, is one thing that I would throw out there as kind of a cautionary or at least something to keep in mind as we work with our private and commercial partners.

The other thing is, you know, we're talking about fragile states. And particularly as we talk about the commercial sector and inviting it to be a part of this, that's going to be a challenge, I think, that we probably need to acknowledge. And one thing, I think, that the Administrator just talked about is, you know, thinking about humanitarian assistance and the great opportunity to move more to resilience. I think we're an organization that first and foremost, we think about the market. Where is the market-based solution here, to build in more inclusion, to create more opportunity for employment, to create more opportunity for those who are not participating in this globalized experiment. How can they get in the game? And I think that, you know, if from the humanitarian side we're saying, "Well, how can we sort of move people off into this idea of resilience?" and then from the market side, we're talking about including people more,

somewhere in there is I think a productive tension that, you know, asks us well, how much can the market do? How much more can the market do versus how much are we just going to have to keep doing. And in their releases resources releases new ideas. And so I think as we go forward, pushing on that tension and sort of asking the right questions around it I think can be very productive for us as a community.

You know, the third thing I would say, one of the things about our preparation document that really impressed me is we started from a foundation of taking together the best thinking about what poverty is. There's been a lot of work done in that area, and I'm far from an expert in it, but I found it very productive to have it in one place that, you know, this is what we think about it. This is how we're going to measure it.

And let's think about PPPs the same way. USAID itself has done some of the great work in measuring public/private partnerships. And one of the key principals is that everybody you bring to the table, whether it's a civil society organization, a development institution, or the commercial organization itself, they're all going to bring their interest to the table. The partnership works as long as everybody's getting what it needs. So as we think about monitoring and evaluations, we think about measuring partnerships, we got to make sure we're measuring all aspects of it and are all interests achieving their objectives in that partnership equally. Because the partnership is sustainable only if that happens.

I'll stop there. These are just kind of initial thoughts for me. I know all of us bring our own experience to that, and that would be what I would offer to the [unintelligible].

SUSAN REICHLE: Great. Thanks, Tim. And you touched on, obviously, the importance of fragile states and the resilience agenda which Nancy has championed since day one coming into this agency about, oh, my goodness, a little over three years now.

So looking at where we were and where we're going but now with this new challenge before us and this new goal, how do you see us approaching the agenda differently? What do we need to be doing differently in fragile states and really elevating resilience so as the Administrator talked about that, we're not spending \$90 billion continually in nine countries?

NANCY LINDBORG: Great. Thanks, Susan. And great to see everybody here this afternoon.

You know, I think a lot of the key themes have been surfaced, and I have the great honor of leading a bureau that has a very long title but, in fact, embeds a theory of change, even in the title, of democracy conflict in humanitarian assistance. And, you know, basically what the bureau says is that we believe that when you have accountable, legitimate, effective governments, you have the ability to manage the conflicts that will inevitably surface in any community or country and the ability to respond to natural disasters as they occur. And in the absence of that AID has resources to help do the response and the recovery.

And so as we look at the goal to end extreme poverty, we also need to look at where in the years ahead are we going to find folks who are most mired and unable to move out of extreme poverty. And if you take out India and China, what we see is about 70 percent of the world's poor, \$1.25 or less, will be in countries that are deemed fragile or conflict affected. And we are seeing that over the last 20 years, the least progress has been among those roughly 400 million people who

are living in conflict affected states or fragile states.

And I want to be very clear about how we are defining fragility, and that is states that are not only not effective, they are not able to control their borders. They are not able to provide services for their citizen. But also, those that are not deemed legitimate. And I think this gets very much at the corruption issue as well. If you are not seen as legitimate in the eyes of your citizens, that adds an additional fragility factor.

What, you know, we saw as both Alex and Raj have said, one of the most effective frameworks has been the Millennium Development Goals, in part because it created a frame that aligned resources and energies. Similarly, just in the last two years we've seen the emergence of something called the "New Deal for Fragile States" which is the initiative of actually 19 self proclaimed fragile and conflict affected countries. So it's not us telling them, but rather those countries embracing the fact that to emerge of these cycles of conflict and fragility, it is a different kind of development challenge. And it's built on a lot of the World Bank data that says governance and security and development are inextricably intertwined.

And so we need to think differently. We need to move out of a development as investment in high productive areas, but rather tackling some of these core challenges. And so what the New Deal does is it really outlines five core areas for a mutual accountability frame to be built; and it's legitimate politics, security, justice, revenue or taxation generation, and essential services. And let me make sure I didn't forget the -- and economic foundations.

And so when you take those as the menu and you build a program around that, you get the

opportunity for those countries to take ownership of that agenda and for the international community to align against that. And it becomes an opportunity to really move forward on those -- in those areas and with those countries that will otherwise maintain a pool of stubbornly poor who are not able to move forward.

So we have embraced the New Deal for Fragile States. We are -- USAID is one of the sponsors of Liberia's New Deal. We're very much involved with Somalia's New Deal. And we're hoping that South Sudan will come forward with a New Deal soon. As you recognize from that list, these are some of the most stubborn cases, but we think this is the best chance in a very long time, especially for a country like Somalia.

And, you know, moving to the resilience agenda, the resilience agenda really came out of the wakeup call that we had in the Horn of Africa Drought, 2011, where 13 million people were plunged into serious crisis. It was only Somalia where you had that confluence of conflict, no government for 20 years, and drought that it turned into famine which underscores that at the heart of both the resilience and the New Deal Agenda is the need for these effective, accountable governments.

With resilience, what we're seeing -- and Raj noted this with the amount of investment that goes over and over again for humanitarian assistance -- is that part of the problem is that we are having this ever greater wave of natural disasters: droughts that are coming every couple years instead of every 10; the drum beat of typhoons, Philippines is having the worst year since 1993. This was -- Typhoon Haiyan was the 25th named storm this year in the Philippines.

So we're seeing this come ever faster, and they are battering the most vulnerable populations the worst. However, we're also seeing that where you are able to work to build resilience so that you can prepare for, adapt to, and mitigate the risks of these disasters, that we can keep those communities and populations from falling into deep crisis over and over again.

Again, there is an international framework that has been developed around resilience that is able to align investments across the donor community and in partnership with local governments. Often some of the policies need to be changed along with how we provide our assistance, how we interrupt the stovepiped approach of development over here and humanitarian assistance over here, bring it together with the shared goal of building resilience so that we are able to invest in some of these poorest of communities and help them withstand the inevitable shocks.

So as we look ahead to the post 2015 MDG agenda, I think one of the exciting things is not just recommitting and mobilizing around this shared goal of ending extreme poverty, but we're able to put into the post '15 agenda two critical elements that were not in the first round, and that is the importance of accountable, legitimate, effective governments and of being inclusive and including those very poor, very vulnerable communities that were otherwise not experiencing the growth and were more vulnerable to these shocks. And both of these are agendas that USAID has deeply embraced.

SUSAN REICHLE: All right. Thank you, Nancy. So I think what you heard up here, at least I did, listening to each of our panelist is something that the President was very clear about when he launched this in the State of the Union almost a year ago is that it requires an integrated and holistic approach to really tackling ending extreme poverty in our lifetime. Whether it's working

in fragile states or the importance of accountability and legitimacy moving to scale involving local stakeholders, public-private partnerships, really thinking deeply about this. There's not one thing. There is not, unfortunately, that golden ring that, "Ah! if we just get this, we'll then really change it."

So on that note, I would like to open the floor and hear your questions and comments and, please, just rise, identify yourselves, and there will be a mic.

JOHN COONROD: Thank you. I'm John Coonrod at the Hunger Project. And this is a really -- I share, Alex, your view that this is like the most exciting time in human history.

[laughter]

The whole -- what the two factors that have been mentioned here focusing on fragile and crisis-affected states and really getting the poorest of the poor at the table, most of whom are women -- what these things share in common is the critical importance of decentralization. So governments that have gained legitimacy and have become inclusive are ones that have become strongly and highly decentralized. So the aspirations of people who will only ever walk 10 kilometer radius, those aspirations can be expressed. And, you know, when we talk about kind of "the table" where stakeholders can meet, that's not a national table. Economic development, plugging people into value change, that's a Pinchot [spelled phonetically] table, a union, a county, subcounty table.

So this is something that USAID has been, I think, very good at: strengthening subnational,

local-level government. But it hasn't talked enough about it. I'd like USAID to brag more about its work on decentralizing local governance. And us NGOs, I'd like us to get more involved with it.

You know, one of the things that a lot of us on both halves of these sectors have done is that we've built parallel participatory structures that have actually undermined the development of democratic elected legitimate governments. We've made our own NGO committees more legitimate than the elected local government. And we really all to have to kind of swear an oath to stop doing that.

So that's my pitch. All politics is local. And the Secretary General recently said this, and especially when it comes to development. And this is something that since the U.S. emerges as a great power through a bottom-up local governance approach, I think we need to bring our leadership loudly on this part to legitimize the decentralization of economic planning, of basic services. And one of the biggest obstacles is that there's not -- in the poorest countries -- there really isn't civil society at the grassroots level.

There are civil society actors in the capitol, and for a long time, USAID and NGOs invested more in civil society at the grassroots level. We need to do that again now in this new context.

SUSAN REICHLE: Great. Thanks, John. Yes, I was going to turn to Nancy --

NANCY LINDBORG: Well, I want to just underscore that point. And we, you know, one of the challenges for many fragile states that do not have either effectiveness or legitimacies,

they're often competing with parallel structures, whether it's Al-Shabab -- or 20 years of a very effective NGO delivery system. And so it is "how do we move forward?" It's -- you know, because you got to build the airplane while it's flying. And you need to have the means of helping to create the confidence in that government for it to move forward, even as it faces the challenges of maybe not having all the delivery systems.

So I really appreciate your comment. We have put a great deal of investment through the years in helping to support local governance structures and doing so with community involvement. And it does -- we do appreciate and need the partnership of people who work at all those local levels.

SUSAN REICHLER: Yes Anne if you have anything you want to add --

ANNE GODDARD: I would add and I would agree. I remember I worked in Somalia for three years back in the '80s. And I remember when AID announced its first grant for local NGOs, and there was one. It was the Red Cross. The --

FEMALE SPEAKER: Red Crescent.

ANNE GODDARD: That was it. And of course then Somalia fell apart, and for good reasons and bad, lots of NGOs developed. But AID had a wonderful umbrella grant system that went for years and developed the capacity of the organizations, which, I mean, if it hadn't done, how would Somalia basic services been delivered to small rural communities for the last 20 years? Really, it was a great accomplishment.

NANCY LINDBORG: And yet that can, as we know, create tension as we're tackling these issues that Alex framed, of legitimacy and really strengthening the legitimacy at the local level in order to tackle ending extreme poverty, making that transition. And, John, as you framed it, I think it's all of us as a development community together, being very cognizant of obviously when the parallel structures are being created and how that can undermine the legitimacy.

ANNE GODDARD: And how do you translate --

FEMALE SPEAKER: That's right.

ANNE GODDARD: -- the system translates from one to the other [unintelligible] over time. I agree. [unintelligible]

ALINA ZYSZKOWSKI: Thank you for a very good discussion. My name is Alina Zyszkowski. I'm with an organization called Global Development Network, and we build research capacity in developing countries. And one of the questions that we've been working on is how USAID as other development organizations are working with local academics as part of the important stakeholders in developing countries. We have a network of researchers that are -- and basically feel like a lot of our local academics are not being brought into the discussion.

SUSAN REICHLER: I'm happy to take that one and then to some of my other colleagues. I think you are absolutely correct. In the past, we have not taken advantage of local talent, unless they were part of a larger U.S. or international-based contract and then there were several layers

between them.

One of the things that we really try to do, and, again, we really need all of us working together, because you can help us identify, here are some really talented academics doing just, you know, really cutting-edge research that is going to help us advance the agenda. And so we've opened ourselves up. We have the Higher Education Solutions Network, which is one of our major partnerships not only with U.S.-based organizations, but also in Uganda as well. But as, you know, having worked in the field, you're often looking for who are those people who you meet, because someone mentioned that point that there may not be an NGO. There might be a local government. But one of the things I sincerely believe is there is always a change agent. There's someone in that community. And there are many people in that community who really do want to change the situation and the structure.

And so we're really trying to open up USAID so that we can identify whether they're academics or just, you know, students who are working on really innovative projects to help us break through some of these challenges of ending extreme poverty.

ALEX THIER: Maybe I'll just give one concrete example that I had the opportunity to work on in Pakistan, where we are basically investing in a number of universities. It's also very much related to the last comment. We're investing in a number of universities in Pakistan and partnering them with American universities for the long term. And the idea is to build capacity at the academic level in Pakistan to focus on the key development challenges where our investments are greatest. So we're looking at water and agriculture and energy, for example.

And so it's simultaneously getting the local talent engaged in the process, but also having a long-term relationship being built with U.S. universities to create some of that connective tissue, which is not just about the government-to-government, but it's also about some of our best civil society actors and universities working with theirs.

And maybe I'll just really quickly segue to one thing that that reminded me of that I wanted to say, which is that, and I think this is evident in the paper that we distributed for today's discussion. But we need your help. We don't believe that we have all of the answers to these questions. In fact, many of the best ideas for -- not just for scientific innovations but for all types of innovations in terms of the way that we work and the way that we tackle these issues and measure these issues -- come from our NGO partners, come from local universities and civil society organizations. And so this is very much an opening as was the Administrator's speech at Brookings as well, an opening to the community that works on these issues to work with us.

And, in fact, over the next year, there's going to be a number of events. We're going to be having another development summit called the Frontiers in Development Summit. We're going to be having an Evidence Summit. And the purpose of this is really to bring together the best ideas that are out there to help us as an organization get involved and to figure out how to better partner with all of you.

ANNE GODDARD: Can I add just something to that? I think one of the things that would be helpful to debate and discuss over the next couple of years is that definition of poverty at \$1.25 a day. The paper does such a good job of giving all the reasons why it's not good. And then, it settles -- why -- what -- it's limiting in lots of different ways -- I mean, limiting in lots of

different ways when you analyze it. And then it says, “but it's the most readily acceptable and used and visible to people” definition. And so, we're going to kind of keep it.

[affirmative]

But yeah, we did change from a dollar a day to \$1.25 a day. So, there could be another change. So, I think it's worth some discussion.

SUSAN REICHLER: Okay. And we have an agenda item for, I think, the [unintelligible] assignment. So, thank you. Great. I think that's all of them.

MIRZA JAHANI: Yeah, Mr. Jahani from the Aga Khan Foundation. Thank you very much for really very wonderful comments. And, as I think about the dynamic between the private sector approach that Tim talked about and the resilience approach and the abject poor that we're trying to help, the question of subsidy keeps on coming into my mind.

And I just wonder whether USAID is doing any serious work on defining what is a subsidy and how you apply it. Because if I look at the five challenges that Raj is talking about. You know, scaling up in partnerships and focus on fragility and humanitarian assistance and so on and so forth. I wonder to myself, who does the thinking around how do you allocate your resources? Because all of your money is grant money. So, in a way, it's subsidy. But how do you get the best impact for the subsidy that you are providing. And how do you measure that economically?

I wonder whether any work is going on. And it would be fascinating to hear about what work is

going on, because I think that would be a strong area for research. And I know my ex-colleagues in DFID are looking at this sort of thing very seriously.

SUSAN REICHLE: All right. Alex, you want to --

ALEX THIER: Yeah.

SUSAN REICHLE: -- start on that?

ALEX THIER: Well, just one thing I will say to that in the “to be worked on” category is that as the Administrator articulated this idea of the new model of development that's bringing together all of these different types of partnerships. And it varies from place to place.

In some places, it's about using our funding as risk mitigation to unlock local financing through the development credit authority. Sometimes it's about outright partnerships where we co-invest with institutions like yours. We have a remarkable program that we founded in Northern Afghanistan that is meant to invest in businesses that then invest their profits into social development.

And so, I think the answer to your question is that, giving the explosion of all of these different types of partnerships, there is a real need to look across them to determine what is working, how do these investments actually -- what do they deliver? And so, I don't think we have an answer to the question. But I'm seized with the same question. [laughs]

TIM MCLELLAN: Yeah, and I think certainly where you're -- where you're partnering with the private sector, I think this reminder that you're always dealing with subsidy. And what is the best place for that subsidy to be a catalyst? It's our daily wrestling challenge, very honestly, project by project. Because if you -- if you build in dependency, that's the absolute opposite of what you're trying to do. And it's actually a lot easier than doing it well. [laughs]

NANCY LINDBORG: You know, I would just add, because Mirza you started by linking it to the resilience agenda. And what we've seen over the past certainly five, perhaps longer, years in the humanitarian community is an effort to move more quickly and more thoughtfully from a just outright subsidy-based approach, to use that term, into an approach that uses even those humanitarian investments to stimulate a faster recovery, to use the market more effectively, and, almost in a parallel way, to understand ways in which we help local actors understand they need a subsidy approach.

And so, how do you help a country set up basically, you know, a food security program similar to what we have here with food stamps? And so, you've got those two streams. And the final pieces then, after you do all that good work with your humanitarian investments, where's the development handshake so that you can build on that platform and really have the kind of serious progress that creates resilience?

MIRZA JAHANI: And I've noticed that about your work, so --

ALEX THIER: You know, one thing I have to say, though, that I -- I just find this striking as we're having this conversation about domestic resource mobilization. I mean, you think about

education, right? There is no such thing as sustainability in education. Education is always going to be paid for by the taxpayers. It is always going to be subsidized. And that's fine. What we need is to figure out how do we build towards a time when it's the taxpayers of their own countries paying their own subsidies. And so, it challenges, I think, this whole discussion about what sustainability means, as though most of the public goods that we have are not subsidized by the taxpayers or by philanthropies. They are in this country. And they will remain so in others. It's really about shifting that balance to local institutions and local ownership.

ANNE GODDARD: Can I say something?

SUSAN REICHLE: Sure, and then we'll turn --

ANNE GODDARD: Not so much on subsidy. But Alex, you mentioned -- and I just wanted to comment on -- that AID has started using new tools with different parts of the U.S. Government. And I think you -- parts that I didn't even know existed.

[laughter]

And really, it's a very good effect, you know? And it's really -- it's nice to see that more than one tool is there, but also that -- those are some of the laws I assume you were referring to before that are breaking down. It's not only [unintelligible] AID --

SUSAN REICHLE: That's right, that's right.

ANNE GODDARD: -- within the USG, and it's really good to see it as a taxpayer obviously.

SUSAN REICHLER: Absolutely. Right.

SARA LOPEZ: Good afternoon, I'm Sara Lopez from the Peace Corps. And Alex, when you opened your remarks, you mentioned that a lot of what we're already doing as those in international development already contributes to reducing extreme poverty. So, my question is more specific to the U.S. Government and how will the U.S. Government be convening the agencies that are already working in this? And will you be building upon other priorities like Power Africa and Feed The Future and GHI? Or is this initiative considered kind of, you know, something separate as well? Thank you.

ALEX THIER: That's a great question, and it's one that's asked every day in this building. And I think the answer is it's very much that we are looking at the main initiatives that have been launched by the Obama Administration, first and foremost, to understand how those contribute to this agenda. So, I talked a little about food security and the New Alliance approach, or Feed The Future -- what we call here the work on resilience that Nancy has talked about -- Power Africa.

I mean, we believe fundamentally -- and the Administrator, I think, articulated this -- that these initiatives, although not exclusively -- and it is not the exclusive goal of USAID to end extreme poverty. We do other things in countries that are very important. But a lot of what we do does contribute towards this goal. And understanding that. And then, understanding how to capture and intensify it is going to be important.

One of the things that the Administrator mentioned very briefly, but I think is important to focus on -- we've been looking very carefully at Nigeria. Nigeria, after India and China, has the largest number of people living in extreme poverty anywhere in the world. And we have a very large program in Nigeria. But a lot of that funding is for public health, and particularly for AIDS.

And so, the types of questions we're asking ourselves are not, "Do we stop doing that?", because there are congressional mandates and very important requirements about why we focus on AIDS in a country like Nigeria. But it is to ask ourselves, "Okay, how do we make these goals correspond to each other? How do we make preventing deaths due to HIV or due to lack of prenatal care, how do we make that mesh together with the goal of ending extreme poverty?"

Looking at, for example, geographic focusing for those places that are most affected by extreme poverty. Or looking at questions like governance. What is it about the relationship between how the health system is governed, and how those services are allocated, and the ultimate goal of ending extreme poverty. And so, I think that by doing that work, we will be able to get a lot more out of our existing investments, but also provide ourselves a road map for the future.

CAROLYN WOO: I have a comment and then a question completely unrelated to the comment. The first comment I want to say is that it's great to be in a community of like-minded people. I've also been in audience where people have said there is no need for development aid. All type of transfers should lead to economic growth. That there -- you know, that money spent on aid, which does not directly contribute to commercial activities is a waste of money. All right?

And this, actually, is some of the comments coming out of people in Africa out of the commercial sector. So, I just want to say one of my comment is all these great things that we're talking about, I think that we also need to message to emerging thinking of that kind. So, that's one.

The second is a question. It's surprising that this particular issue has not been raised. And that is the role of faith-based organizations. The role of religion. The role of interfaith interactions, activities on the ground. Tony Blair said "religion is one of the most important drivers" in these different countries.

A lot of the development work which is done around the world -- 20 to 40 percent, sometimes 75 percent of healthcare -- is done on the ground by faith-based organizations. We have multiple faiths represented here, but we've not talked about that. So, in this big category of faith-based organizations, what do you see as the role?

SUSAN REICHLE: Please, yes.

NANCY LINDBORG: Carolyn, thank you for both those comments. And I want to actually start with your first one first. And that is, you know, one of the things that's very stark is how much development gains are rolled backwards by both conflict and disaster.

In the heart of Africa drought, the United States alone mobilized \$1 billion of humanitarian assistance. It occurred in an area that was economically not considered the heartbeat of Kenya. The World Bank determined that it had a \$12 billion economic hit to that country for 2011 and

2012. So, a lot of what we're talking about, there -- it all comes together that there is an economic argument if that's what's more compelling to you, alongside the moral one.

The Philippines loses an average of \$5 billion a year to the impact of storms. And so, the more that you enable these communities -- especially the poorest ones where you see the greatest amount of devastation -- the more that has a positive impact, not just for those communities, but really overall. So, we try to make all of those arguments for the most convincing overall package.

On the role of faith-based communities, I mean, we couldn't agree with you more, both in terms of the role that local faith-based leaders in communities play in addressing some of the conflict dynamics -- we're seeing that right now in the Central African Republic, where the religious leadership is critical in helping to calm what didn't start as tensions between the Christian Muslim communities, but it has the ability to turn into that being full-fledged. So, we are calling on the religious leaders to deliver the calming messages and help ease the tension.

We see that throughout the development agenda, where those communities are both our partners, either through the NGOs or directly working at the country level, and are critical when you talk about an inclusive approach and when you talk about how do you get people around the table. Sometimes, it's through those efforts. So, it's about being very contextually aware about who those actors are, and how to include everybody.

CAROLYN WOO: Sure.

BOB ZACHRITZ: Thank you. It's -- thank you. Thank you. It's Bob Zachritz with World Vision. First, I just want to affirm the comments. I'm really -- it is an exciting time. I like the new directions we're going. I'm very excited about the issues of fragile states and how do we move that into post-MDG frameworks.

A question I might raise for maybe some of your insight into best practices. We've had internal conversation on just -- one of the challenges, we've hit the low-lying fruit. The challenges in fragile states are more costly to go after as you go in. And how you do what Anne was saying, the reduction of violence, is many times a key aspect.

So, has there been certain things -- I know the World Bank talked about mediation between ethnic groups, religious groups, over resources -- or aspects of good governance going after marginalized communities. So, has there been some conversation on the data you've seen on the best rate of return for sometimes dollars invested within the fragile states' context?

NANCY LINDBORG: First of all, I want to take this opportunity to just note that Melissa Brown, who's the head of our Conflict Management and Mitigation Office is here with us, and she and her team have done a lot of wonderful work -- thanks, Melissa -- on helping us understand the data, working with other institutions like World Bank, and also to flag that we don't have all the data that we need. And that is a very important charge as we go forward. And it speaks to the need to engage our academic institutions. And CMM has some important partnerships on that.

What I would note is that security is one of the most important investments. And that is -- that

gets to the partnerships that we have with other parts of the government as well, that sometimes stopping the violence requires security inputs from other parts of the government. But what's the most cost effective? I don't think we've got good data on that yet. And that's a good part of an agenda going forward.

ALEX THIER: Can I add one thing? Because I've spent a lot of time working in Afghanistan. And if I had one fundamental lesson that I drew from that experience, it is that it is never too early, and it does not matter how fragile the environment is, to invest in local institutions.

Fragility is not a crisis, it is a long-term challenge. And unless you are focused on developing local institutions, then you are not going to get out of that. And the corollary to that, which is really important, is that you can invest in local institutions in very fragile environments, but you have to be smart about it.

You have to pick the right types of institutions and the right types of leaders. And you can't invest in all of them. But if you don't invest in any of them, then you're likely to end up -- and I can't tell you how many meetings I sat through on Afghanistan where five years, six years in, somebody says, "God, I wish we'd started doing that five years ago."

And the results are real. The example I always give, which is an incredible example in Afghanistan, is that access to health services in Afghanistan was six percent in 2002. And we're not talking Mayo Clinic, we're talking about, you know, pennies per cure, difference between life and death for a child under five types of things. And we decided -- USAID and a couple of our partners -- decided to invest through the Afghan Ministry of Public Health, when it was barely a

building, let alone an institution, to deliver basic packages of health services across Afghanistan. And access to healthcare rose to 66 percent in a decade. And the incredible result of that was that life expectancy in Afghanistan rose 15 to 20 years in one decade, just basically as a result of dramatic reductions in infant and maternal mortality. And so, it can be done.

And that doesn't -- the corollary of that is that it's still very fragile. And those losses can be -- those gains can be lost. But you have to invest if you want to get those types of results. And it is possible to do so.

NANCY LINDBORG: I would just add that I think one of the best studies is the World Bank World Development Report of 2011, which showed the jobs, justice and security foundation for helping to get out of those spirals of conflict.

SUSAN REICHLE: So, we have time for one more question. And I know you've been trying to jump in, so please.

MARIA KASPARIAN: Thank you very much to the panel. My name is Maria Kasparian, and I'm with Edesia. We're a non-profit manufacturer of Plumpy'nut and other ready-to-use foods. And I -- Anne, thank you for your comment on different types of private sector. We're a non-profit private sector, and there's obviously for-profit private sectors. And I think there's more and more hybrid-type models like that that we need to acknowledge.

We also partner with a lot of local businesses, mostly in Sub-Saharan Africa, also in India and in Haiti, who produce these types of products. And I'm wondering if you could comment on the

balance of multinational corporations when we talk about public-private partnership with local companies and businesses, and secondly, comment on investing in local business, even in fragile states. I know Alex, you commented on the important of investing in institutions right from the get go, how would you also feel about investing in local business. I know we've struggled more in fragile states. We had a factory in the Democratic Republic of Congo that had a lot of difficulty, and I'm wondering on your comment on that. Thank you.

TIM MCLELLAN: I'd be glad to start. And I know there would be other opinions, probably, on the panel and in the room. But this kind of missing middle from kind of the trader on the street and the major kind of conglomerate within many of the countries where we operate is a big deal. The jobs are going to come from the small medium enterprises continuing to invest in capacities for them to participate in this, you know, great sort of globalization experiment. It's just a big -- it's a big agenda.

And to my points about sort of thinking about how the market is going to reach and create resilience, I think a lot of it is going to come from this sector, because it's the information economy. It's where, you know, mom and pop shops are deciding how to become more formal or if they should. And that goes to institutions. Do they have the confidence in those institutions to formalize? Can they trust the local authorities not to fleece them if they, you know, sort of become a formal institution.

FEMALE SPEAKER: How many barriers there are for them [unintelligible]?

TIM MCLELLAN: Yeah. So, you know, you think about the poor. Well, we talked a little bit

in our earlier meeting about these catalysts. And I think this really is what you're talking about when you talk about these small and medium enterprises. People are investing in a manufacturing facility to do whatever. And a lot of our countries where we work -- I couldn't say, and I could drone on too long about, you know, the importance of it. But the pieces of building capacity. Getting access to capital. Access to skills and communication. Market information. All of these critical areas. And one of our colleagues, Ndidi Nwuneli, could probably enlighten us further. But this is -- this is certainly a major part of our work, and I would say, broadly part of this particular agenda.

SUSAN REICHLE: Anne, any final thoughts?

ANNE GODDARD: Just mostly on this issue of this no longer just private and for-profit. I agree with you. There's a really interesting continuum that's now being developed. And I don't think all -- when you talk about trying to get all parties together to work together, I don't think we've figured them all out -- how to work together, what's the advantages, what the disadvantage -- well, actually, what are the opportunities? Because I see it as a positive. I find it fascinating, and I think it's really going to make a very interesting contribution to this overall goal that we're talking about.

SUSAN REICHLE: Nancy?

NANCY LINDBORG: On this --

SUSAN REICHLE: Anything you want to say before we close, or --

NANCY LINDBORG: Oh, well, on this topic, I think that there -- having the emergence of the private sector and having entrepreneurs who are everywhere provides an important constituency for the kind of governance and reform and accountability. And that if you can -- if they can withstand the early, difficult days, it's very important. And only that, you know, we have had a lot of good conversations with partners as we look to how to understand where we're having impact with these -- with these approaches. And how to measure success. And how to continue to improve how we move forward on this. So just to thank everybody. And we look forward to continuing the partnership.

SUSAN REICHLER: Alex.

ALEX THIER: I would just echo the point that Nancy just made. I mean, there is -- there is -- I've never seen an environment where there is not entrepreneurial spirit, where there is not trapped capital, where there is not money to be made. I think what we have to do, collectively, is to figure out how do you remove some of the constraints to investment and back to this question of subsidy. You know, what prevents people who want to make money from trying to invest is their perception of risk. And so, the extent to which we can work on helping to reduce that risk, either by -- either directly subsidizing the risk, but also by taking on some of the challenges of corruption and things like that that they perceive or that they experience. If you can buy down some of that risk, then you're going to increase the likelihood of investment. And there is no sustainable path to creating jobs that I've ever seen that does not involve -- does not involve the growth of businesses. And so, that's got to happen in fragile environments, too.

SUSAN REICHLE: All right. Well, you've all left us with a lot of insightful comments. And your questions and comments, equally insightful as we all collectively work together towards this goal. So, I just -- please join me in thanking our panelists for so much of their time this afternoon --

[applause]

-- and for all of you coming out, we really appreciate it. We learn from these dialogues. And so, please continue to send your thoughts and comments to us even between the meetings. Thank you.

[end of transcript]