March 31, 2011

Fifty years ago, John F. Kennedy wrote a letter to Congress that called for the creation of the Agency I am now privileged to lead—USAID, the United States Agency for International Development.

Having witnessed the devastation the Second World War caused in Europe—and the success the Marshall Plan had in rebuilding it—President Kennedy argued that advancing opportunity and freedom to all people was central to America’s domestic security, comparative prosperity and national conscience.

I wanted to commemorate President Kennedy’s letter by writing one of my own, describing our Agency’s work to the millions of Americans who care deeply about overcoming global poverty, hunger, illness and injustice.

I also wanted Americans to know that by doing good, we do well. Our assistance depends on generosity from the American people. But it also derives benefits for the American people: it keeps our country safe and strengthens our economy. As Secretary Clinton has said, development is “as central to advancing American interests and solving global problems as diplomacy and defense.”

And because development assistance is so crucial, I wanted to stress our need to deliver it more effectively than ever before, getting results faster, more sustainably, and at a lower cost so more people can benefit.

I hope this letter makes those points clear, sheds light on our Agency’s future trajectory and establishes a lasting tradition that builds on President Obama’s strong commitment to transparency.

Sincerely,

Rajiv Shah
Administrator
United States Agency for International Development
Prior to joining the administration, I was already familiar with many of USAID’s development successes: preventing devastating famines by helping launch the Green Revolution, providing safe drinking water to over a billion people, promoting democratic transitions in Eastern Europe after the Cold War.

But I was also familiar with some of the agency’s recent struggles; across its five decades, the agency had been weighed down by bureaucracy and set back by staffing cuts. Having come from a private philanthropic organization, I was concerned with how quickly a large government institution could deliver results. But in my first week on the job, my perceptions changed.

HAITI AND THE CLARITY OF CRISIS

On January 12—five days after I was sworn in—a 7.0 earthquake struck Port-au-Prince, leveling Haiti’s capital and killing hundreds of thousands of people. In the wake of the destruction, President Obama entrusted USAID to lead a swift, aggressive and coordinated response on behalf of the United States.

As I walked into the command center on the top floor of our building, surrounded by members of our military, diplomatic corps and crisis response teams from USAID and several other agencies, I realized just how quickly our government could act. Side-by-side, we analyzed satellite images of the damage, determined our best chances to reach survivors and plotted a rapid whole-of-government relief effort.

Crises often bring clarity—a sense of urgency that leaves no room for hesitation or red tape. Either you act or people die. As USAID staff launched the largest humanitarian relief and search-and-rescue efforts in history, the speed, skill and dedication they showed was awe-inspiring. They responded quickly, overcame bureaucratic hurdles, worked inclusively with a broad range of partners and made smart, calculated choices to get better outcomes.

For instance, one of our Haiti response leaders had read a behavioral economics study that found people were more likely to purify emergency supplies of water if they received...
chlorine tablets at the point of distribution, rather than afterwards as had traditionally been done. So when we hired firms to provide water to earthquake survivors, we wrote into their contracts a requirement to distribute chlorine tablets as well.

As a result, water was cleaner in Port-au-Prince and there were fewer cases of diarrheal disease than before the earthquake struck. While this intervention didn’t prevent an outbreak of cholera from reaching the capital, it had a significant role in limiting its spread.

Time and again, similar acts of ingenuity drove home the effectiveness of USAID’s talented ranks. It was clear our Agency could achieve even better results if we aggressively reformed the way we worked—in Haiti and around the world.

**USAID FORWARD AND THE NEED FOR REFORM**

Last September, I had the honor of attending the United Nations General Assembly to witness a historic event: President Obama announcing our country’s first ever policy on global development.

“The past half century has witnessed more gains in human development than at any time in history,” he said. “Around the world, hundreds of millions of people have been lifted from extreme poverty.

“Yet,” he said, “we must also face the fact that progress...has not come nearly fast enough.”

To deliver results more quickly, President Obama stressed that our foreign assistance must increasingly be directed toward countries committed to good governance and focused on delivering sustainable, private sector-led economic growth. To lead that mission, he committed to “rebuild the United States Agency for International Development into the world’s premier development agency.”

To fulfill that pledge, we launched a series of reforms we call USAID Forward, developed as part of the first-ever review of our country’s development and diplomacy operations called the Quadrennial Diplomacy and Development Review. Spearheaded by Secretary Clinton, this Review provides a blueprint that is crucial to improving America’s use of civilian power.
The reforms outlined in this Review weren’t designed to return our Agency to its glory days, they were designed to do something greater: create a modern development enterprise. By making our Agency more efficient, more effective and more business-like, we could free our talented staff to deliver better outcomes.

To leverage the impact of our investments, we made difficult tradeoffs, focused more heavily on local investment and harnessed the transformative power of science, technology and innovation.

We proposed eliminating bilateral development assistance to 11 countries, making tough calls to end assistance in places where weak governance or corruption undermined its effectiveness, or where rapid growth made it unnecessary. Tracking these investments is now easier than ever thanks to a new, transparent Web site—foreignassistance.gov—that visually displays our entire portfolio of foreign assistance, broken down by country and program.

To deliver lasting growth, we introduced the most significant revisions to our contracting policies in our Agency’s history and are prioritizing new business models to deliver greater assistance to local entrepreneurs and organizations.

For instance, our Development Credit Authority encourages banks with conservative lending practices to provide loans to underserved but creditworthy customers in developing countries, allowing us to generate $28 of private capital for every $1 we invest. Through this mechanism, we’ve turned an investment of just $82 million into $2.3 billion to support development and entrepreneurship in over 64 countries.

As the people in developing countries stand up, USAID can stand down, allowing our assistance to be replaced over time by vibrant markets, strong civil societies and efficient, accountable local governments.
Our efforts in Haiti over the last year were emblematic of these new approaches.

Instead of rebuilding devastated brick-and-mortar banks, we partnered with the Bill and Melinda Gates Foundation to launch a mobile banking revolution in the country. Prior to the earthquake, 90 percent of Haitians had never set foot inside a bank. But 60 percent of all Haitians do own cell phones. By allowing Haitians to save money and make transactions on their cell phones, we’re encouraging local wealth creation that is crucial to building a vibrant economy while preventing the wage-skimming and corruption that can undermine growth.

And rather than pay foreign companies to construct prefabricated homes, we trained Haitian construction companies to build their own durable housing using local materials, to a higher standard of safety than prior to the earthquake.

The challenges that remain in Haiti are still great, and the road to building the country back better than before will take significant time and effective local leadership. But the resilience of the Haitian people should leave us all hopeful about the country’s future.
On average, Americans think we spend about 25 percent of our federal budget on foreign assistance. The truth is we spend less than one percent.

The logo we place on the assistance we deliver abroad represents the generosity of our country; a handshake alongside the motto “FROM THE AMERICAN PEOPLE.” But our assistance also derives benefits for the American people: it keeps our country safe and strengthens our economy, something I had the opportunity to see firsthand.

KEEPING OUR COUNTRY SAFE

Last May, I visited our USAID mission in Juba and witnessed just how difficult life in southern Sudan was. Among the many sad realities of daily life in the region, one stood out: southern Sudan has the highest maternal mortality rate in the world.

That fact wasn’t lost on me; I thought of my own wife, then pregnant with our third child. I knew that she would receive the best possible medical care and attention during her delivery. But in southern Sudan—an area with a population approaching 10 million—there were only about 350 trained midwives capable of addressing the deadly complications that can arise while giving birth.

For years, our mission in Juba had been working to reverse trends like these, while also strengthening local governing institutions. Now, six years after a devastating civil war, southern Sudan was preparing to vote for its independence. In an area far too familiar with political and ethnic violence, no one could guarantee the referendum would proceed peacefully, if it proceeded at all.
In August, five months before the referendum was slated to begin—when many were convinced it would not take place—USAID assistance made a crucial difference. We helped establish facilities for the referendum’s operations and secured voter registration cards; we even bought the pencils.

In cooperation with the United Nations, we trained south Sudanese poll workers to register voters and provided them with lanterns, so they could count ballots into the night. Meanwhile, American diplomats worked behind the scenes to ease tensions ahead of the vote.

That foresight—smart development investments coupled with effective diplomatic efforts—allowed voter registration to proceed smoothly and the referendum to occur peacefully and on-schedule.

The results of the referendum have since been officially counted, and the south Sudanese have shown their clear desire for independence. As a new nation is born, I’m proud to say USAID was there to support its safe delivery.

USAID deploys development specialists in places like southern Sudan today to strengthen democracies, rebuild livelihoods and build strong health and educational systems, so that we do not have to deploy our troops tomorrow. We provide humanitarian assistance for people affected by conflict in countries like Libya. And we strengthen civil societies in countries like Egypt, so we can help them pursue peaceful and credible democratic transitions. As Secretary Gates has said: “Development is a lot cheaper than sending soldiers.”

But we don’t just prevent conflict. We work to end it.

In the most volatile regions of Afghanistan and Pakistan, USAID staff work side-by-side with the military. As part of our country’s civilian surge, we more than doubled our workforce in Afghanistan in order to support our troops in the field and help the Afghan people stand on their own.

Last April, I visited the Arghandab Valley to speak with local Afghan farmers. They expressed their appreciation that the American people had helped train them and provided them with seeds and fertilizer. They explained how that assistance had revitalized their community, boosted agricultural production and brought economic opportunity to a region our soldiers had suffered casualties to secure. As a result of our agricultural assistance local farmers shipped the first food exports out of the Kandahar airport in 40 years.
In North-West Pakistan—the current base of operations for Al Qaeda and the Pakistani Taliban—our teams and partners face daily harm and have suffered casualties administering over 1,400 projects. In the Malakand district, they helped rebuild 150 schools, so children there could become productive members of their economy, instead of seeking an education in extremist madrassas.

As General Petraeus testified to Congress, the civilian efforts of the State Department and USAID “build on the hard-fought security achievements of our men and women in uniform.” USAID plays a critical role in consolidating peace, denying safe havens to Al Qaeda and helping to bring our troops home sooner. Without development resources, he said, we could “jeopardize accomplishment of the overall mission.”
WINNING THE FUTURE

Last December, I met with the next generation of America’s military leaders, diplomats and development experts at a class at the National War College, one of the United States military academies. The College has seen some of our sharpest military and foreign policy leaders walk through its halls, including General Wesley Clark and Senator John McCain. As I spoke to them about USAID’s role in global development, I asked them to look at this map.

This is the Korean Peninsula at night. The North is almost completely dark, except for one small dot in the top-left, the capital Pyongyang. But if you look at South Korea, Seoul is the brightest spot in a country full of light.

To me, this comparison represents the true power of development. Fifty years ago, South Korea was poorer than two thirds of the countries in sub-Saharan Africa. Its people had an average life expectancy of 54 years, and it was one of the largest recipients of American assistance in the years following the Korean War.

In the decades of engagement since, USAID supported South Korea’s agriculture and industrial sectors, helping the country focus intently on an aggressive growth strategy. Today, USAID no longer provides assistance to South Korea; instead, the country is a net donor of foreign assistance. And South Korea has now become a vibrant source of trade for America. It is currently the eighth largest market for American goods and services, ahead of countries like France and Australia.

I used to think our exports were mainly large goods sold by large companies, like commercial aircraft and automobiles. But it turns out 97 percent of our exporters are small- and medium-sized businesses, precisely the firms that serve as engines of American job growth. In fact, for every 10 percent increase we see in exports, there is a seven percent growth in American jobs. And exports to

**SOUTH KOREA LIFE EXPECTANCY**

<table>
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<th>Year</th>
<th>Life Expectancy</th>
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**GDP PER CAPITA**

<table>
<thead>
<tr>
<th>Year</th>
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</tr>
<tr>
<td>2009</td>
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</table>

source: CIA World Factbook, World Bank, World Development Indicators
developing countries have grown six times faster than exports to major economies, representing roughly half of all U.S. goods and services sold overseas.

Increasingly, our economic prosperity will depend on selling goods and services to the 2-3 billion people in developing countries who will form tomorrow’s global middle class.

To win the future, we must continue to reach developing world consumers through innovative business models and targeted assistance, accelerating the peaceful rise of the markets they represent.

TO WIN THE FUTURE, WE MUST CONTINUE TO REACH DEVELOPING WORLD CONSUMERS THROUGH INNOVATIVE BUSINESS MODELS AND TARGETED ASSISTANCE
erno, everyone assumed South Korea would follow a slow, linear path of development. But South Korea was able to bend the curve of its development progress and dramatically accelerate its growth.

Today, we must approach development assistance with a similar mindset. Rather than achieve incremental gains by following status-quo approaches, we must bend the curve of progress, devising new ways to deliver better results more quickly and more cheaply. While this letter concentrates on how we’re doing this in food security and global health, USAID is focused on accelerating progress across a range of issues, from supporting women and girls, to improving global education, to strengthening democracy and governance.

FEED THE FUTURE: FROM FOOD AID TO FOOD SECURITY

In 2008, the world witnessed a shocking development. Steep food prices led to threats of famine in East Africa, riots in 30 countries, and for the first time in decades, a rise in the number of people living in dire poverty, earning less than $1.25 a day. Over 100 million people, who had already escaped a brutal condition of constant hunger, were thrown back into its grips.

Over the last year, wildfires in Russia, floods in Australia and the current drought in China have all led to a similar rise in global food prices and human suffering. The cost of staples like wheat rose by as much as 60 percent in 2010.

In 2008, 100 million people were driven into poverty as a result of rising food prices.

Source: FAO
Once again, millions who must spend more than half their income on food are being thrust into poverty and hunger, and the threat of food riots and famines threatens to tilt states toward failure.

Traditionally, the development community’s response to food riots and famine has been to send supplies of wheat, corn and other staples to these countries, what we collectively call food aid.

Food aid is critical—it saves lives and protects children. But the truth is, it will never end global hunger. We must continue to send food aid in times of need, but we must also prevent hunger from ever occurring in the first place.

In the ‘60s, USAID partnered with foundations and foreign governments to launch the Green Revolution, which did exactly this. We invested in new seeds, fertilizer and irrigation systems, so countries like Mexico, Brazil and India could grow enough food to feed themselves. As a result, hundreds of millions of lives were saved in probably the greatest development intervention the world has ever witnessed. And that effort had lasting effects: it helped those countries escape the trap of hunger, so they could focus on growing their economies.

Today, USAID is leading a whole-of-government effort called Feed the Future designed to deliver the same kind of success.

In countries like Honduras, Ghana, Tanzania and Bangladesh, we’re working with governments and private sector partners to make smart, efficient investments in their agricultural sector.

We chose these countries selectively, based on their commitment to strong governance and a willingness to increase their own investments in agriculture, while encouraging investment from other donors, foundations and private companies, ensuring every dollar we commit generates significant leverage.

In Ghana and Tanzania, we are supporting the efforts of American companies like Kraft and General Mills to connect poor farmers to local and international food markets. But the main private sector partners aren’t global firms; they are the local entrepreneurs who sell seeds and transport goods and the millions of mostly female smallholder farmers that are the key to this Initiative’s success. These people are all key to this initiative’s success.
And to develop the next curve-bending agricultural technologies, we’re partnering with the U.S. Department of Agriculture, American land-grant universities and international agricultural research partners. These partnerships focus on developing new seeds that can provide better nutrition while resisting the drier and hotter growing conditions increasingly seen around the world. We did this with wheat in Mexico and rice in South Asia during the Green Revolution; we need to develop drought-tolerant maize, a more nutritious sweet potato and other heartier, nutritious crops in Africa today.

Across 20 countries, Feed the Future will help nearly 18 million people—most of them women and children—grow enough food to feed their families and break the grips of hunger and poverty. If we can do that, we believe we can end hunger in a generation.
THE GLOBAL HEALTH INITIATIVE:  
FROM TREATING DISEASES TO TREATING PEOPLE

Compared to 1990, today four million more children live past their fifth birthday every year, because they have access to simple vaccines against diseases like measles and polio. Five million HIV patients no longer face a death sentence because they’ve been supplied with lifesaving antiretroviral drugs. And 188,000 more women survive the natural act of childbirth, thanks to the skilled attendants by their side.

Our ability to save these lives is a remarkable development success. But that same success has also established a system of care organized around diseases, not patients. Throughout the developing world, you’ll find separate clinics in separate places for AIDS, children’s health, family planning and maternal care.

The Obama Administration developed the Global Health Initiative to end this situation, providing different services at single points of care. In Kenya, we worked with PEPFAR, the President’s Emergency Plan for AIDS Relief started by President Bush, to couple HIV/AIDS treatment with maternal and child health services. As a result, we’ve extended the availability of reproductive health services from two to all eight of the country’s districts, at no increase in cost.

Every dollar we save through this approach is another dollar we can use to reach those who suffer. To put it simply: saving money saves lives. But we can get even more value for our investments if we extend the reach of care beyond hospitals, into the villages and communities where people need it most.

In Senegal, we worked with the government to build “health huts,” small facilities in rural villages staffed by volunteers providing basic health services to their community. By building over 12,000 of these facilities throughout the country, we’ve managed to reach 400,000 more children at a much lower cost. No doctors, no hospitals—but access to quality, critical care for those who need it most.
In the future, our biggest opportunity to save lives in global health lies in inventing a new wave of medical technologies that are cheap, easy-to-use and can be delivered anywhere. After all, a world-class vaccine doesn’t need to be administered in a world-class hospital for it to be effective.

A prime example of this type of breakthrough came last December, when a USAID funded trial at a South African AIDS research lab gave women around the world a new way to reduce HIV transmission: a microbicide gel. Though still in development, women will eventually be able to use this gel to protect themselves against HIV.

If we can discover similar breakthroughs that can be delivered in health huts, not hospitals, we’ll have a remarkable opportunity to save lives.

If we can develop new, cheaper vaccines against pneumonia and diarrhea—the two leading causes of child death—we can save the lives of over 3 million children.

If we can devise a way to quickly diagnose malaria in the field, and come up with safer and more effective insecticides and drug treatments, we can save 500,000 lives and remove malaria as a major global health problem in sub-Saharan Africa.

And if we can create new technologies and procedures that allow a woman to give birth safely without a doctor by her side, we can save the lives of 200,000 mothers. We recently worked with other donors and foreign governments to unveil Saving Lives at Birth, a partnership designed to inspire inventors and entrepreneurs to solve this grand challenge for development.

Inventing these technological breakthroughs may sound audacious. But only by setting big goals can we inspire the innovation necessary to bend the curve of progress and meet them.
Today, several global trends have aligned, giving us an unprecedented opportunity to bend the curve of development progress. Rapid technological change, growing private sector engagement and the spread of democracy are providing new opportunities to accelerate growth, strengthen governance and attend to human needs.

But one trend in particular stands above them all: the growth of people interested in development. A generation ago, if someone wanted to assemble the development community, they wouldn’t have to look far beyond the walls of USAID. Today, as we celebrate 50 years as an Agency, our talented staff has been joined by a rapidly growing community, with leaders from all walks of life coming together to focus on the challenges of the developing world.

Throughout my first year as Administrator, I spoke to several of these modern development leaders: CEOs like Indra Nooyi of Pepsico, faith-based leaders like Kay Warren of Saddleback Church, and philanthropists like Bill Gates and Warren Buffett.

But the most important members of this broader community are people just like you. From the college students who crowd into oversubscribed development and global health courses on every campus, to the entrepreneurs who invent new technologies for the developing world, to the baby boomers forgoing their retirement to volunteer abroad, millions of Americans have been inspired by the great generational challenge to expand the reach of freedom, prosperity and opportunity to all people.

Throughout 2011, I look forward to connecting directly with you to share exactly how USAID—and your investments—are meeting this challenge.