



USAID
FROM THE AMERICAN PEOPLE

USAID **50** ANNIVERSARY

AS PREPARED

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Thanks Nancy, for that introduction. I'd like to thank you and CGD for hosting me today, for articulating that development matters, and for your call to seek meaningful reforms to both USAID and the broader development community.

Nearly every member of this Administration—myself included—has described our approach to development: focused on sustainable growth, committed to mutual accountability, selective in scope and concentrated on results.

I'm not here to do that today. You don't need another speech on the principles that define our approach.

Instead, I hope to describe how USAID has been busy executing that approach and to ask for your help and support to capture the opportunity to elevate development as a major part of how America engages with the rest of the world.

When I took office one year ago, the development community made clear: if the United States was to play a leading role in international development, USAID would have to be strengthened and empowered with certain authorities that had been stripped from the Agency over the course of decades.

We heard you.

One year ago, Secretary Clinton began that effort, pledging that USAID would be rebuilt into the world's premier development agency.

Four months ago, President Obama stood in front of the UN General Assembly and declared that goal to the world, making it a central pillar of his Presidential Policy Directive on development.

And just one month ago, we presented a blueprint for meeting that goal in the Quadrennial Diplomacy and Development Review.

But USAID didn't wait. Earlier this year we instituted a series of reforms we now call USAID Forward. Thanks to those reforms our Agency is fundamentally changing, becoming more efficient, more effective and more business-like, freeing our talented staff to deliver real results.

We have embarked on this effort to transform how development is delivered because development is not—and cannot be—a sideshow. As the President and the Secretaries of State, Treasury and Defense have all made clear: development is as critical to our economic prospects and our national security as diplomacy and defense.

That's why our reforms are not trying to build an updated version of a traditional aid agency. We are seeking to build something greater: a modern development enterprise.

Like an enterprise, we are developing and executing more innovative and more focused strategies across each of our areas of excellence.

When we unveiled our government's strategy for meeting the Millennium Development Goals, we recognized the enormous development progress the world has made in recent decades. Since 1990,

hundreds of millions of people have moved out of poverty and the number of children that die before the age of five has dropped by one-third.

But we also realized that much more had to be done, and that simply doing more of the same would not lead to further success. As a result, we have changed the way we work in each of our areas of focus.

Instead of merely providing food aid in times of emergency, we are helping countries develop their own agricultural sectors, so they can feed themselves.

We launched Feed the Future, bringing together resources across the federal government and engaging in deeper partnerships to extend the impact of our efforts. We are now leveraging more investment from countries themselves and from other donors. Firms ranging from General Mills to local African seed companies are all doing more.

As a result, in just five of our twenty focus countries we will be able to help nearly 6.5 million poor farmers – most of them women – grow enough food to feed their families and break the grips of hunger and poverty for tens of millions of people. This is smarter and more costly than dealing with food riots and failed states.

In our Global Health Initiative, instead of a scattered approach that fights individual diseases one at a time, we are pursuing an integrated approach that will generate efficiencies and strengthen health systems.

We are now working with partners such as the NIH, CDC and PEPFAR to build on recent advances in science and technology, especially in high return areas such as vaccinating children, preventing HIV, malaria and TB and focusing on childhood nutrition during pregnancy and the first two years of life.

Our relentless focus on getting better results at a lower cost applies to everything we do. After our response to the tragic earthquake in Haiti, I commissioned a lessons-learned review led by CGD Alum Ruth Levine. Today, we are acting on its findings by speeding the time between response, recovery and long-term development in every crisis in which we engage.

Because we know that we are safer and more prosperous in a world with more South Koreas and fewer North Koreas, we have prioritized economic growth and democratic governance in everything we do.

But in doing so we are rejecting the traditional assumption that a series of development projects alone will lead to growth. Instead, we are developing partnerships for growth with countries committed to enabling the private sector investment that is the basis of sustained economic development. And we are stretching our dollars. Through our Development Credit Authority, for example, we can attract twenty seven dollars from the private sector for every dollar we invest.

Instead of merely paying to hold elections, we are now funding new open government technologies to quickly and significantly increase transparency, so citizens can hold their own governments accountable. For example, our new Development Innovation Venture Fund supported an effort to test the use of a mobile phone-based election monitoring system for Afghanistan.

We are bringing a similar spirit of innovation, science, technology and strategic thinking to areas such as education, water, and climate. In each of these core areas, we either have already or will soon release comprehensive strategies that detail how we can achieve development gains faster, more sustainably, and at lower cost so more people can benefit.

Like an enterprise, we are relentlessly focused on delivering results and learning from success and failure.

Remember, USAID used to be the world leader in development evaluation, creating many of the standards currently employed by our community.

But we've fallen far from that world class distinction: in 1994, USAID conducted nearly 500 evaluations; by the time I arrived, only 170 evaluations were submitted to Washington, despite a threefold increase in managed programs.

In many instances our project evaluations have been commissioned by the same organizations that implement them. Often what passes for evaluation follows a 2-2-2 model: two contractors spending two weeks abroad conducting two-dozen interviews. For about \$30,000 they produce a report no one needs and no one reads.

And the results they claim often have little grounding in fact: one of our implementing partners claimed over a quarter-of-a-million people benefitted from \$14,000 spent rehabilitating an Iraqi morgue.

This has led to a relationship between implementing partners and evaluators akin to that between investment banks and rating agencies. Just like investors couldn't tell the difference between triple-A investments and junk, taxpayers can't tell the difference between a development breakthrough and projects and subprime development.

Today, I'm announcing a new evaluation policy that I believe will set a new standard in our field. By aggressively measuring and learning from our results, we will extend the impact of our ideas and knowledge.

- Every major project will require a performance evaluation conducted by independent third parties, not by the implementing partners themselves.
- Instead of simply reporting our results, like nearly all Aid agencies do, we will collect baseline data and employ study designs that explain what would have happened without our interventions, so we can know for sure the impact of our programs.
- And in the spirit of the extreme transparency I promised when I joined USAID, we will release the results of all of our evaluations within three months of their completion, whether they tell a story of success or failure.

We're going to integrate this project level evaluation data into our new foreignassistance.gov dashboard.

We also have joined an effort that CDG started: the International Initiative for Impact Evaluations.

I want the American taxpayer to know that every dollar they invest in USAID is being invested in the smartest, most efficient, and most transparent way possible.

Like an enterprise, we realize the crucial importance of our diverse talent.

At points throughout our history, USAID was a top destination for talented men and women pursuing the discipline of development. I know that because many of those talented employees are still here; people like George Laudato our Middle East Bureau head, and Bambi Arellano, the Agency's Counselor.

I'm proud to say that USAID is now once again a top destination for those pursuing the discipline of development.

Just last week, I was late to a meeting because I got caught up in a hallway debate between Steve Radelet and Michael Kremer, two of the world's leading development economists.

Anyone who has worked with us recently knows how valuable it is to have a Senate-confirmed leader like Nancy Lindborg in charge of our Democracy, Conflict and Humanitarian Assistance portfolio, or a leading Foreign Service Officer like Susan Reichle in charge of our Policy Bureau.

But we've also strengthened pathways for bright students and distinguished mid-career professionals to join our Agency through the Development Leadership Initiative.

This initiative gained bipartisan Congressional support because the previous Administration correctly made the case that recruiting smart, experienced and capable colleagues into our Agency would be cheaper and more effective than hiring contractors. The DLI program is well structured and highly selective: for every person we hire, more than 20 highly qualified candidates apply.

We are making improvements to this program – bring on more mid-career technical professionals capable of managing complex contracts and deploying them more quickly to key tasks. That has allowed us to staff priority initiatives like Feed the Future, priority countries like Haiti, Afghanistan and Pakistan, and our USAID Forward reform priorities. To achieve serious reform in development, it is critical we continue these efforts.

Like an enterprise, we are focused on delivering the highest possible value for our shareholders—in our case, the American people and the Congressional leaders who represent them.

We will deliver that value by scaling back our footprint to shift resources to critical regions; rationalizing our operations and vigilantly fighting fraud, waste and corruption.

USAID has successfully established a new budget office, giving us the flexibility and control we need to be selective and targeted in our work. We've already used this authority to identify hundreds of millions of dollars of savings.

Some of these savings come from closing missions, especially in countries where development successes have created the conditions where American assistance is frankly no longer necessary.

By 2015, we believe USAID can graduate away from assistance in at least seven countries, starting with Montenegro in 2012.

Countries that were former recipients of aid, like India and Brazil have become donors themselves. We need to develop new strategic partnerships with these countries that respect their rise and leverage their technical expertise to help others – as we are doing with the newly launched Feed the Future partnership with India to support efforts to eliminate hunger in Africa.

I have also called for the elimination and restructuring of costly senior positions in Paris, Geneva, Rome and Tokyo, saving us a total of \$7.5 million over five years. These moves allow us to reallocate talent to priority regions like Afghanistan, Pakistan, Haiti and sub-Saharan Africa.

When I joined USAID, I was shocked to discover that over 40% of our positions in sub-Saharan African were vacant. Any effort that is serious about ending hunger, or stopping the spread of disease, or preventing the emergence of safe havens for terrorism, or creating the markets of tomorrow, must tackle the development challenges of sub-Saharan Africa. It is the epicenter of our work.

People say bureaucracies cannot reorient quickly, but we have realigned our talent and are closing the staffing gap in Africa completely.

All great enterprises relentlessly focus on efficiency, searching for savings no matter how small they may seem. Our team has found opportunities to save \$65 million by eliminating or renegotiating high-cost leases, consolidating our back office operations and reconfigure our IT systems. Even something as seemingly miniscule as changing our default font can save us money in printing costs.

But the real savings will come from how we manage our implementing partners.

Every enterprise relies on contractors and depends on them to succeed. USAID is no different.

But I want to make it clear: we do not work for our contractors, our contractors work for us.

We are building a culture of oversight to prevent waste, fraud and abuse, and vigorously respond when it does occur.

I've created a new suspension and debarment taskforce, led by our Deputy Administrator Don Steinberg. This task force will provide a coordinated effort to closely monitor, investigate and respond to suspicious activity.

As many of you know, we recently suspended one of our largest implementing organizations pending an ongoing investigation.

We will hold all our implementing partners to strict account, regardless of their size. Too big to fail does not exist in our world.

Like an enterprise, we are listening to and improving the way we serve our customers—in our case the people of the developing world.

Frankly, this is the area in which official development agencies—all of them, including USAID—have struggled.

Fifty years ago, almost to the day, President Eisenhower gave a remarkable farewell address warning about the emergence of a military-industrial complex; a war machine that would justify its own existence and expansion.

Today, the development community faces a similar crossroads. Our industry is full of incentives designed to prolong our efforts, rather than reduce them.

As a result, handoffs rarely happen; projects are extended in perpetuity while goals remain just out of reach. There is always another high-priced consultant that must take another flight to attend another conference or lead another training.

I say today to all funders and practitioners of development: these days must end.

We need to understand that unlike other industries—unlike an enterprise—we have no interest in our own growth.

We must seek to do our work in a way that allows us to be replaced over time by efficient local governments, thriving civil societies and vibrant private sectors.

USAID is aggressively doing its part. This Agency is no longer satisfied with writing big checks to big contractors and calling it development.

We have already accelerated our funding to local NGOs and local entrepreneurs—change agents who have the cultural knowledge and in-country expertise to ensure assistance leads to lasting growth.

All of this is part of the most aggressive procurement and contracting reform our Agency has ever seen.

One of the best days I've had as Administrator was signing an order that created a vehicle to compensate local partners based on performance—the number of health workers trained, or the volume of crops

produced—rather than on how many people employed, or trucks purchased. With the single stroke of a pen, I felt I was making the world a better place.

Today I'm announcing another new reform. I'm proud to say that the vast majority of USAID's assistance is competitively awarded—nearly 87%. But we can do better. As of today, any grant or contract extensions in excess of \$5 million granted without a competitive process will require my personal, expressed clearance.

Partners need to achieve the outcomes they seek in the time they suggest. Otherwise we will seek out those who can.

This year, USAID will celebrate its 50th anniversary. Reflecting on our anniversary has reminded me of the first time I ever heard about USAID. I was a young child travelling to Bombay—now Mumbai—to see my relatives. Before returning home, my uncle insisted that I travel with him to one of the slums near his family's home. I was shocked by what I saw. There were pits of open sewage, and children were running through garbage and waste. It was clear that none of those kids went to school, and despite being around my own age, they all looked thinner and smaller and more frail than I.

The image of those children has stuck with me for a long, long time. We were the same age and the same race, but the lottery of life guaranteed that we would have very different futures.

As we were leaving that slum, there was another image that also stuck with me. There was a billboard describing a local water treatment system that the city was putting in place, with the support of the US government. And right in the middle of this billboard was a logo depicting a handshake; the logo of USAID.

In recent years, we've added a tagline that represents that handshake: "From the American People."

But in my time at USAID, I've come to learn that our assistance is not just from the American people, it's also for the American people.

Our assistance develops the markets of the future; long-time aid recipients like India, Indonesia, Poland and South Korea have become strong trade partners and markets for American goods.

I travelled back to India with the President last year where we saw a solar-powered microirrigation pump, whose solar cells were manufactured by a small company in Georgia called Suniva. That company is growing; they've already created hundreds of manufacturing jobs in Georgia, and they soon plan to build another plant in Michigan.

That transaction, which brought a solar manufacturer from the American South to a rural village in India, could not have happened without the sustained commitment of foreign assistance.

Our nation's economic future will in part be determined by the countries in which USAID currently has a presence. In 10-20 years, being competitive as a nation will require being able to sell products to the growing middle class in Asia, Latin America, the Middle East and sub-Saharan Africa.

In fact, the combined economic potential of African countries is higher than the GDP of China – one of the reasons China is expanding its work in Africa at a much higher rate than Western countries.

But even today, the developing world looms large in America's economic fortunes. Our country's fastest growing markets—representing roughly half of US exports—are developing countries. In 2009, we exported over half-a-trillion dollars to those countries, and 97% of those export revenues went to small-and-medium sized US companies, precisely those firms that are the engine of American job growth. That's why for every 10% increase we see in exports, there is a 7% decrease in unemployment here at home.

In addition to helping us compete in tomorrow's global economy, our assistance also keeps us safe now.

In the most volatile regions of Afghanistan and Pakistan, we work side-by-side with the military, playing a critical role in our nation's effort to stabilize countries and build responsive local governance.

On a daily basis, our people put themselves in harm's way and suffer casualties, working on the same problems as our military while utilizing a different set of tools.

In Afghanistan, we helped improve agricultural yields in the Arghandab Valley, stabilizing a region in which our military suffered casualties to secure. As a result, farmers shipped the first agricultural export out of the Kandahar airport in 40 years. We've also rebuilt the civil service in the South East of the country and helped fuel a 40% reduction in the growth of opium poppies that fund Taliban operations.

In Pakistan, our Foreign Service National workforce and support of local organizations allow us to go where others cannot. Through our Office of Transition Initiatives alone, we now administer nearly 1,400 projects and programs in the Federally Administered Tribal Areas of Pakistan, responding quickly to local needs. In the Malakand province, we've renovated 150 schools so that children seeking an education can look beyond extremist madrasas.

I visited both countries multiple times over the last year and I can report to you: whether it's establishing basic health services for 80% of Afghans within a two hour distance of their homes, or it is setting up local Shuras in Northwest Pakistan to build viable sub-national governance in lawless regions, USAID's work is absolutely essential to keeping us safe.

As a community, we must strengthen the role we play in these situations.

Based on decades of experience working in these environments, next month we will unveil USAID's first ever policy on the role of development assistance in countering violent extremism and insurgency. Our policy will build on tools like the District Stabilization Framework, built in close collaboration with the Pentagon, allowing us to identify the true drivers of local unrest.

Ultimately, our work needs to increase short-term stability, while easing the transition between conflict, fragile peace and long-term development.

But when it comes to national security, our work goes far beyond partnering with the military to combat Al Qaeda and the Taliban.

Over the last several decades, USAID, in partnership with the Colombian government, has launched several successful programs aimed at directing farmers away from coca cultivation. We've seen cultivation plummet by as much as 85% since 2005 in areas of the country where we worked.

And while USAID can work in active conflict, or help countries transition from violence, the most important thing we can do is prevent conflict in the first place. As Secretary Gates has said: "Development is a lot cheaper than sending soldiers."

In Southern Sudan, the USAID mission is working hard to ensure that an inspiring expression of democracy does not lead to yet another bout of regional bloodshed.

Our team in Juba has been in place for years, implementing projects that set the stage for the recent, historic referendum. In fact, many other bilateral and multilateral partners, like DFID and the World Bank, co-invest in our programs to foster peace.

Five months ago, when the world seemed convinced the referendum would not occur, our team worked with the UN and NGO partners to design, procure and pre-position ballots. We believed in being prepared. That foresight

allowed the historic referendum to proceed on schedule in an orderly manner. So far the region has avoided a descent into large-scale violence that many feared and our teams on the ground supporting conflict mitigation efforts in contested areas.

Having lived through genocides in Rwanda and Darfur, we remain committed to preventing the kind of ethnic persecution we've so often seen in the past.

When we prevent violence in Southern Sudan, we're not just avoiding future military involvement; we're also expressing American values.

When schoolchildren organize bake sales to pay for anti-malarial bednets, they are expressing American values.

When more American families give money to the Haiti relief efforts than watch the Super Bowl, they are expressing American values.

When church groups across the US raise money and volunteer to support children orphaned by AIDS, they are expressing American values.

Just last week, I attended a mass commemorating the one year anniversary of the Haiti earthquake. I was impressed by a flier Catholic Relief Services distributed at the mass describing their work to support survivors in Port-Au-Prince.

I'm proud to know that USAID is one of CRS's largest supporters. But I'm also proud to know that we support a wide-range of faith-based organizations, from Samaritan's Purse to the American Jewish World Service.

Organizations of faith not only express the moral values of millions of Americans, they also provide some of the most dependable support systems for millions in the developing world. In Kenya for example, 30% of all healthcare services are provided by Christian Hospitals.

Our success depends on listening to communities of faith, connecting with them deeply, and supporting the vital work they perform around the world.

I know that my remarks today reflect a lot of tough calls for change. I know that over the last year I've called for a lot of shifts in how this community operates. Change is never easy, and I thank you for the difficult choices you've already made.

But I ask for this change because I believe it is critical to achieving the peace, prosperity and security we all seek.

I believe what leading CEOs like Indira Nooyi of PepsiCo and AG Lafley of Procter and Gamble believe—that the future of American prosperity will rest on the progress of the developing world.

I believe what military leaders like General David Petraeus and Admiral Mike Mullen believe—that development is critical to keeping America safe and American soldiers out of harm's way.

I believe what religious leaders like Pastor Rick Warren and Bishop Charles Blake believe—that as beneficiaries of peace and prosperity, Americans have a responsibility to assist those less fortunate.

I believe what political leaders like Bill Frist and Tom Daschle believe—that promoting international development is not a Democratic value or a Republican value—but an American value.

And I believe what President Obama and Secretary Clinton believe—that together we have the power to create the world we seek, if we have the courage to embrace the opportunity.

Now is the time to invest in USAID's capabilities, so we see the day when our assistance is no longer necessary.

We have worked tirelessly to build a better path to the world we seek. Now we must have the courage to follow it.

Thank you.

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