

A New Direction for USAID—At Home and Abroad

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Summary

This 2nd forum in a series on Defense Development, and Diplomacy examined the new pathways the Obama administration might pursue to increase collaboration and cooperation between the Development community and the various arms of the U.S. foreign policy establishment. What are the right solutions to the bureaucratic roadblocks? How could these changes ultimately lead to better structures and better-implemented foreign policy? What are the challenges in appropriating more money in Congress for USAID?

GORDON ADAMS—Distinguished Fellow, Henry L. Stimson Center; Professor U.S. Foreign Policy, American University

Gordon Adams is a Distinguished Fellow at the Stimson Center and a Professor of the U.S. Foreign Policy at American University. Mr. Adams was most recently a Fellow at the Woodrow Wilson International Center for Scholars. For the previous seven years, he was a professor at the Elliott School of International Affairs, George Washington University and Director of the Schools Security Policy Studies Program. He was previously Deputy Director of the International Institute for Strategic Studies in London, and served for five years as the Associate Director for National Security and International Affairs Fellow at the Council on Foreign Relations. Mr. Adams received the Department of Defense Medal for Distinguished Public Service, and has published books, monographs and articles on defense and national security policy, the defense policy process, and on national security budgets.

RICK BARTON—Senior Adviser, CSIS International Security Program; Co-Director, Post-Conflict Reconstruction Project (Moderator)

Frederick Barton is a senior advisor in the Center for Strategic and International Studies' International Security Program, and Co-Director of the Post-Conflict Reconstruction Project. He is currently on the World Economic Forum's Global Agenda Council on Humanitarian Assistance, was a member of the Presidential Transition Agency Review Team on Development Assistance, and was the chair of the Obama for President Subgroup on Post Conflict Reconstruction. He was also a member of the CSIS Commission on Smart Power, cochairman of the Working Group on Stabilization and Reconstruction at the U.S. Institute of Peace, cochairman of the Working Group on Reconstruction and Development at the Princeton Project on National Security, and an expert advisor to the Iraq Study Group and the Task Force on the United Nations.

RAYMOND SHONHOLTZ—Founder and President, Partners for Democratic Change

Raymond Shonholtz, J.D., is the Founder and President of Partners for Democratic Change (Partners), an international organization established in 1989 committed to building sustainable local capacity to advance civil society and a culture of change and conflict management worldwide. Partners is one of the largest change management organization globally, with 17 independent national Centers in Latin America, the Middle East, Central and Eastern Europe, South Caucasus and Balkan Regions, and three new Centers established in 2009 in Colombia, Serbia, and Yemen. Most recently, Mr. Shonholtz was a Woodrow Wilson Public Policy Scholar working on a new concept of development called "Impact Investing for Sustainable Development." In 1976, he established and served as President of the award-winning Community Board Program, the first mediation initiative in the United States that brought conflict resolution skills and processes into American neighborhoods and schools, and has been modeled in dozens of other countries. Mr. Shonholtz is an attorney and has an extensive background in legal practice, education, and policy.

Transcript

Barton: Good morning and welcome to the Conflict Prevention and Resolution Forum. I'm Rick Barton, the Co-Director for the Post Conflict and Reconstruction Project at CSIS with Karen Von Hippel, and it's great to see so many people here today. I understand that it is a larger turnout than usual. Many of us have been drawn here today because we believe in the central role development plays, and could play, in the advancement of peace and a more stable world. There is a feeling

that we are at a special moment here in Washington, maybe a time of harmonic convergence, where the national security establishment might be ready to address America's asymmetric civilian capacities and resources, and produce a more effective way forward. We've heard and read about Secretary Gates's speeches, we've seen that many people in the Congress are ready to re-draft enabling legislation. We've read about President Obama's doubling of the budget over the next five years, we've seen Secretary Clinton's visit to AID on her second day in office, and then we've seen the community that many of you are a part of seems to have come together. You may have received a sheet that has a list of at least a dozen studies that have been completed in the last two years that are strongly in favor of moving in a new direction, so today's speakers are going to try and capture the potential of the moment and address what needs to be done in order to produce a more dynamic and successful development agency and community. I have asked for each of them to speak for about seven to ten minutes so that we will have a good length of time for your questions and answers.

It is a pleasure for me to welcome two people I have gotten to know over the last two years, and have admired for their work. In the order that they will speak:

Gordon Adams is a distinguished fellow at the Stimson Center and professor of foreign policy at American University. He has really been known for years as one of the experts in terms of budgets and resources and how we should be organized to address these issues, so I am looking forward to hearing his comments about how we can improve civilian capacity and better integrate the civilian resources that we have.

Raymond Shonholtz is the founder of Partners for Democratic Change. He is a great believer in impact investing on building in-country capacity and has done that in nearly twenty countries around the world and virtually every region of the world since he founded his organization in 1999.

Adams: Good morning, thank you all for coming. The size of the turnout here is obviously an indication that this is a lively issue with an important part of the Washington community and I think that is probably more true now than it ever has been. I think from a variety of directions it is a moment of unique opportunity to do what I have laid out as my principle target of what I'm working on, which is how do you rebalance the tool of American statecraft. With this administration and with the problems that we are facing, I think we have a unique opportunity to set that target well in our sights and make some real progress.

This is an absolutely unique moment both in terms of the substance of the kind of work that you have all been involved in, and institutionally in American government, and I say that because it is not a moment for "business as usual" in any part of the toolkit of statecraft; it's a moment for major change. One of my concerns, as I look at what's happening initially in the new administration, is that people will go in thinking "we will walk into these same old organizations doing the same old things except that we will fill them with better people, because we are the good people and those weren't the good people." But we won't seriously look at what we need to do to restructure our capabilities.

I want to say some things briefly on four different items in terms of capabilities. Before I do, I also want to say that I am increasingly persuaded that we are in an absolutely unique moment in the history that all of us have lived through, which one experiences day-to-day as a sort of crisis of the shrinking assets for your retirement, when you look at it in terms of your own personal portfolio. But if you look at what's happening internationally, which we haven't quite yet focused on, this is a global financial and economic crisis, and it is hitting especially hard at the countries that are less well off, throughout the world. The recovery from that problem is going to be something of enormous magnitude, not a minor shift in development assistance, so I am increasingly convinced that not only the tools of statecraft that we have need to be rebalanced, but that they need to be substantially better-integrated than they are, because at this point, the major dilemma we have to deal with isn't the Taliban, it isn't the stability of the Iraqi government, it isn't what to do with NATO... the major problem that American statecraft and global statecraft is going to have to deal with is, "how do we get economic policy, trade policy, investment policy and security all marching together, to help countries avoid a slide into disaster, and to recover from what could be a very prolonged and very severe economic crisis internationally?" So if you are thinking about not only rebalancing but strengthening the civilian capability and integrating those tools, there is a job to be done by the Treasury Department as well as USAID, and the State department, and the Department of Commerce, and almost any other agency you can think of, with a very substantial responsibility at the center, that is to say the White House, the National Security Council, and the National Economic Council. And it is high time for the announcement of an inter-agency taskforce and an external taskforce that starts defining how we are going to engage this global economic crisis past the one that we just faced here in the United States, even past 'what do I do with my shrinking assets'. The problems we are facing demand some progress on the solutions that we are looking for.

When I was at the Office of Management and Budget from 1993 to 1998, I went there as a defense expert, and most everybody who goes into this job goes in as a defense expert. What you are used to is military pay, operations and maintenance cost, and all of these good things that you learn how to cost out in graduate school. But you go in with relatively little knowledge in the foreign affairs field. What I discovered is that it was a good thing. I knew what I knew about defense because the integrating problem was on the civilian side, in what they call the 150 account, or international affairs. There was no integration of planning and budgeting for the foreign affairs of the United States. There continues not to be today, although it is a little bit better than it used to be. So such as it was, integrating what people thought they were putting money behind, and what programs were going to be, happened in my office, at the Office of Management and Budget, which was absurd, but that's where it happened because there was no capacity to think strategically, plan strategically, and budget strategically in the foreign affairs agencies and to do so across agencies. So having had five years of experience at the Office of Management and Budget, I have been on a crusade ever since then to say "what do we do to build capacity...not re-build...build capacity that is not there. That is the problem I'm focused on.

Let me talk about three specific areas about where I think we need to move very quickly, to do that. Number one: let me not talk about development programs at USAID; let me talk about the State Department, because a substantial part of the difficulty we face right now is at the State Department, not at USAID. The chance to do something about the weaknesses of the State Department in strategic planning, in program thinking, in program management, in integrated budgeting, all of the problems that they have; the chance to do something about that is enormous today for two reasons. One is Hilary Clinton. There is actually in place at the top of the Department of State somebody who actually has been around development projects, who actually knows what that part of American statecraft is about, who is actually dedicated to that mission as part of what she does. That's a real step forward in my view, a step that anyone interested in development issues ought to be exploiting and encouraging, not resisting. The other major development in the State Department is the appointment of Jack Lou as the Second Deputy Secretary of State, which is something that I know that I have been harping for some years, that the State department has never had a capable manager whose job it was to focus on the management and operations of the State Department—looking both at program and what is traditionally called state ops; the manpower, personnel, buildings communications and the like. For the first time in State Department history there is somebody that is targeted with that responsibility which is a remarkable step forward for them and opens up whole new areas of opportunity. Those of you who are cynical about Washington know there is going to be a tremendous amount of difficulty for the Deputy Secretary of State, or "D2" as they call him, to pull that off and to actually redirect the building into serious integration, strategic planning, real attention to the personnel problems, and the like...but the opportunity is there. The game has changed by the simple decision to fill a job that hasn't been filled for ten years.

What needs to be done at the State department? Well in terms of the issues that we are interested about here, State is a culture of report, represent and negotiate. It is not necessarily a culture of program and build and management and strategic planning...it seriously needs to become that. I think that about 75% of the State Department's fix is in the area of human resources. It's not about program, it's not about policy; it's about what kind of people do we recruit as the frontline of America's global engagement, how do we train them, where do we assign them, how do we incentive-ize them to work across agency, how do we define their mission so that it incorporates thinking both long-term and short-term and the connection between the two? The time has really changed and it is really going to be revolutionary for the foreign service of the United States to adapt to that change. But it's going to be very important in my view for our policies to be integrated for them to do that time of adaptation. We need a new kind of frontline engagement and it needs to be somebody who can walk and chew gum, long-term, short-term, strategic plan—the whole nine yards... needs to be the skill set that we define as a meaningful international relations career for somebody that is in the government, not just in State, but in USAID, Defense, Department of Commerce, Justice, Treasury, wherever they are.

Secondly in USAID or in the development arena, because we all know that USAID is not the only place that does this kind of work. Department of Defense does it, Justice does it, Agriculture does it, everybody is involved in some way or another in a very broad global engagement, and it is not just our traditional development engagement projects. What we have done for that capacity in American government is that we, as everybody knows, after the start have turned it over to the contract obligations, and we need to completely rebuild that capacity. I'm not sure anymore whether it means blowing it up and starting it over or reaching into USAID and really re-staffing and re-skilling so that it can do the job it was designed to do, or should be designed to do, but there is a serious need for attention to that and we have done a report at the Stimson Center with the American Academy of Diplomacy, that talks about both that State HR issue and about how to rebuild an HR capability in USAID, which is a big part of the problem. I never thought when I started talking about this

subject that I would be spending so much time talking about human resources, but I think that that is where the game is right now, that is what we need to have.

Third area, this has to do with remigration back to the civilian agencies capacities we have built up over the past 8 to 10 years at the Department of Defense. This is a very serious issue. I don't know that the State Department yet has a strategy for how to do that but the secretary has given a lot of voice to the desire to rebuild the states capacity, to do security assistance, to do post-conflict reconstruction and stabilization operations, to do development assistance, and to redefine authorities that we have built up over the last few years on Defense, global six authorities, global seven, coalition support funds, counter-terrorism fellowship programs. All those capacities are now in the Defense Department, under defense authorities temporarily. But step number one is for defense to no longer seek to make them permanent roles, which they have sought to do for the last three years, but to acknowledge that these are temporary capacities that were reached in Defense to help them build because they didn't have them in the civilian sector, and they should hand them back over as we build the capacity to have them in the civilian sector.

Last issue I want to raise is stabilization of reconstruction. I fundamentally believe that the way we are going about that today is wrong, and the way we are building this capacity. Step number one in stabilization reconstruction is to figure out what it is you want to do. First you have to have a sense of mission. If the mission is to accompany U.S. forces in a major land invasion of other countries over the next twenty years, then we're sure as heck going to need ten or fifteen thousand people who have all kinds of skill sets. I'm not sure that's the right mission, and I am not sure that's the mission we are going to encounter. But we are going to encounter situations where we want the capacity to bolster our capabilities overseas when we are in situations with fragile states, and fragile states that are recovering from post conflict situation. And we will need to do that, by the way, hand-in-hand with the international community, because frankly for the next two or three decades I think the days are over when the U.S. sends the 82 airborne and the 101 marines into a country, follows it with ten armed divisions and the U.S. civilian capacity. So we need something different, we need something that really links up the post conflict situation with a long-term governance, stability and development situation. Low and behold we actually have an institution that has employed, or in a microcosm can do this, and its called USAID. It's not called the State Coordinator Office for Post Conflict Reconstruction and Stabilization, which has no operational experience at all that I know of. I've argued this for some time, that in the Conflict Mitigation Office, in the Office of Transition Initiatives—we have actually built the capacity over the years that is the kind of capacity we ought to be growing. So I see part of building USAID as building that capacity because it is therefore linked to the capacity for post-conflict state reconstruction.

Shonholtz: Gordon, thank you that is a great starting point. For the last five months I'd say I've been a public policy scholar at the Woodrow Wilson Center. I want to envision with you a different world. I think generally, you talk to people and you interview people and you get a litany of critiques. There is no end of critiques about development in this city. I can tell you, however, there is a general consensus, if you see development from the point of view that it is like a pyramid with policy at the top, the policy implementers at the middle which would be USAID and all the different agencies and departments, and then the providers at the bottom, the big beltway folks, the big giants and the little guys...various partners that are around. If you look at it that way there is, in my mind, no debate that at the policy level there is a consensus that policy should be elevated to the level of diplomacy and defense. I don't think there is a serious debate about that. The debate takes place about where it should be. Should it be the Security Council, should it be a White House specific appointment, should it be it's own department, and there the debate begins to show up and there is a lot of discussion about that.

So let me envision with you what it could look like if we did a radical reform and rethinking of development, because what Gordon said I think is key: what is the mission? Before we hire a thousand people, which we are about to do in State and AID and we are already doing it, before we do that if you were a corporate person of course you would have the job description already. You would know what you were hiring for, and the fact that someone like Gordon can sit here with his experience and be uncertain what that job description is, is a little bit scary, because you are bringing people in and it's not clear what the job is so the tendency will be absolutely to do what has been done, because it's comfortable, because no one needs to find another pathway, and because the whole institution is geared to do what's comfortable and predictable. So if we're going to bring in a thousand new people to do what currently 17-18 hundred are doing with all the critiques that are being made of their performance. And I am going to be really clear, I have a great respect for both people in the State department and USAID, and as Rick has said I've traveled a great deal in setting up national centers on change and conflict management around the world, and I've certainly met embassy and AID staffs and have enormous respect for

them. I don't think the problem is the people; I think the problem is the institution and I think the problem is lack of a mission.

In the envisioned world I'd like to share with you, it looks something like this: You have Bill Frey who is the mission director in Afghanistan, and he wants to set up a water and sanitation program in Afghanistan in a certain region. He wants this program to be managed in three years by Afghans in that region and he wants it to be self sufficient in six years. That is he wants it to pay for itself. Now, just doing that is real tricky under AID rules. That would be hard to get that RFA or RFP out for the agency. Under our envisioned, new-reformed Gordon Adams approach, we can do that...which goes back to the issue he raised, which I think is critical. One of the reasons that we don't have innovation inside USAID is that you end up having the decision-making made in large part by the OMB. The fact that the planning and integration is taking place at OMB is absurd, it's beyond absurd. Nobody would behave this way in another region of the world... corporate, nor in DOD for that matter. So we have an agency dedicated to development that is behaving in one of its critical dimensions—basically aggregating its responsibility, I think.

So now we have rules that absolutely allow Bill Frey to send out this RFA or RFP. In our new world he only sends out a two page request, and who does he send it to? He sends it to the whole world. He doesn't send it to a company just because they have an indeterminate aquatic contract and he doesn't give it to PACT because they have a leaders with associate program... he's allowed to give it out to the whole world. How does he do it and what is he doing? He's using crowd sourcing. Who here knows about crowd sourcing? Everybody in the room knows it...who here has heard of Wikipedia? Wikipedia is nothing more than the aggregation of disaggregate information. It's taking information from people who don't know one another and giving them a platform in which they can tackle the information and aggregate it. So if you want to get more information on Afghanistan then you can use Wikipedia, and this information is provided by people you don't even know. It's not a corporation; it's an aggregation of knowledge in our envisioned new USAID reform. Bill doesn't send out a 20-page RFP, he sends out to the world a request. Who is doing the best work in the world on sanitation and water systems in conflict areas that meets these requirements and has to be self-sustainable in six years? It has to be developed and maintained by the in-country people in three years and it has to be self-sufficient and managed and funded on its own in six. And he gets an enormous amount of information.

How many of you have a business background or MBA? He has one of you as his officer and you're the person in charge of the new office under Bill Frey's Afghan vision, you're the innovation and impact sustainability officer. When you get the replies around the world, you select a few that seem most intriguing, and it's all open sourced, everyone can see what everyone has posted. And you encourage everybody to respond and improve on what their sending so not only is our person who is heading the innovation and impact investment unit getting information, so is everybody around the world getting information on this subject, and they are adding to it and improving on it. Now he sends out a five-page special request for proposal and asks for 10 pages back...nothing dramatic. And describing in more detail, all open sourced so that when I respond Rick can see it and say: "ok well Ray's proposal is great but it doesn't have 'X.'" And Gordon looks at it and says: "yeah, that would be interesting but it ought to have 'Y.'" And what we begin to see is that world experience of knowledge aggregated so that our person who is running the innovation office for the mission director begins to get an improved product. We got it on 10 pieces of paper. Nothing has gone to OMB, and nothing has gone to AID contracts, contracts out of the picture. This is the envisioned world.

Why can't we do this? It's not only the technology that's available, and I can give you many examples of where this technology is being used both in the government and in the corporate sector, so there is nothing new about the technology. The other tremendous advantage is the thousand people coming into the Foreign Service or into USAID. They are coming out of a culture that's tech savvy. Where AID or development is going to be at, is not people like myself or Rick who may have graduated from an academy or institution twenty years ago with book knowledge. They have tech knowledge, they can do the crowd sourcing process, they can get knowledge and put it up, they can aggregate the information, they have it already. The beauty is AID or State doesn't have to train them. A lot of people would be coming in way ahead of the trainers. So the Obama administration has a tremendous advantage of capturing these young people and using their skills.

The other impact from this would be the break down of stove piping and walls that are inside development, which are huge. So if you're in Democracy you don't know what Health is doing, if your in Health you don't know what Governance is doing, and Governance and Health don't really send joint teams out to the same area and so you have redundancy. You have stove piping and you have really lack of knowledge being shared. Under an impact investment and innovation program you would rapidly change all this inside the agency, and you would do it agency- and department-wide, so Treasury, Justice, Commerce, Agriculture could not continue to do what they are currently doing the way they are doing

it. We currently operate development under the philosophy of assistance...we should scrap that concept completely. We are not assisting these countries; we are investing in these countries. This is not only conceptually a better idea; it is something Americans can understand. We in this country invest; assistance sounds like a charity, we are not doing charity. This is absolutely in America's best interest. It is easier to sell self-interest and investment to congress and to taxpayers. The other reason is it is easier to measure, provided we give it enough time to reap the benefits. One-off AID projects are a complete waste of investment dollars. Let me just say that innovation and impact investing for sustainable development and the concept of investing versus assistance should now become more of our 21st century development concepts. We should do job descriptions and institutional development around it, both at the State Department and USAID, and we should radically reform both institutions along these lines.

Barton: Well, I think our speakers have done a great job of setting the table. I'd like to just share a couple of insights and a few numbers that I think are very telling. USAID could be the most exciting place in our government to work and I don't think that's the case right now, so there is obviously a distinct challenge in front of us.

On Gordon's point about strategic budgeting...has somebody actually sat down and made the decision that we should be spending more money in Kenya than we are in other areas? A second point when you look at the human resources function at AID and you see internal polling of employees over the last couple years the polling goes like this: There are certain parts of AID that are given 95% approval ratings by the people who work there and other offices drop down into the mid 60's. And then there is one office that sits alone at 42% of respect from its colleagues, and that is the human resources function. It's not all their fault.

In talking to the former head of that office, we determined that there were somewhere between 400 and 450 people globally at AID working on Human Resources. There are somewhere over 8000 people who are on the indirect payroll. If you take the ratio of 400, that would mean that each HR employee at AID was responsible for 20 of their colleagues. That would mean that each HR professional would have somewhere between one or two weeks a year to spend exclusively on each one of their employees including two weeks of vacation. If you walk into any room at AID and ask "has your career been managed, have you actually had a strategic direction to your career here?" The majority of people would say no way.

Clearly, this idea of how we get the DOD aligned, I think the sincerity test here is Secretary Gates and Secretary Clinton, get together, they both work for the same person, and they go up to the Hill, and they meet with their own appropriators, and they say we got 10 billion dollars, we'd like to go from point A to point B. 10 billion dollars may not seem like a lot of money in a budget for 500 to 600 billion, but it is a lot of money. You can take 100 million dollars and move it around, you can take 200 million and move it around the Defense Department...you start moving 10 billion, it's a sincerity test and that's the kind of sincerity – for everything that Secretary Gates has said – I think we need to see the change that we require.

In terms of putting civilians in dangerous places, which is another thing that really concerns me, the number of people that have been killed working on AID contracts in Afghanistan in the last six years. The statistics that we were presented with said that 402 people had been killed on USAID projects in Afghanistan. 402. Canada is in a state of paralysis because they have lost nearly 100 soldier, but I think we get to these kinds of fatality numbers you are not talking about OCIA violations, you're talking about somebody who is really not paying attention to the seriousness of the business and whether they think throwing civilians at a problem and basically making them into human sacrifices is a discussion that needs to be had. There needs to be a serious discussion about whether civilians in these situations are really actually making a difference and whether we have thought it through, and whether the sacrifice needs to be reconsidered.

A couple more points, because Ray's presentation deserves every bit as much attention as Gordon's did. I think both of these speakers have really talked about how we can't just do what we've been doing and do it better with new people. I think that's absolutely clear. As I begin to meet the new recruits at AID, you realize there is a sense that the people being brought in to turn the organization around are going to be victims of the invasion of the body snatchers. So in a year, the freshness that they have brought to the game may have been turned into the practices of old, just done by newer people. Huge danger...runs great risk. I think this is all low hanging fruit that we can just turn around pretty quickly.

I think on your planning point, if you have an organization with 8000 people is it conceivable that you could find a dozen or two dozen planners? I think so. Is it because the State Department keeps you from planning? I don't think so. Is it because the congress is earmarking your money and so you can't find them? I don't think so. I think it's because we don't have the culture that is driving it and making it happen, and if you do, you could answer this obviously gaping hole.

Your crowd sourcing—absolutely fantastic, great idea. Proposals once they are in are not proprietary, they are public. What's the point? Of course you want to compete the ideas...I don't understand why people hide behind proprietary. Nothing should be classified at AID, it should be the most transparent place in U.S. government.

Finally, your idea of assisting vs. investing is absolutely on point. We've got to move on beyond the neo-colonialism approach, and the old mindset of "we are going to take care of these people" is yesterday's model.

Q & A

Question: You haven't mentioned the Millennium Corporation in any sense at all—good, bad or indifferent, although it does not have as much money as AID. The other question is the attempt that is needed to mobilize and engage the local communities, NGO's, as part of the whole exercise, and not have a residual colonial approach, which isn't working. And the only sensible thing to do is to get the global communities involved in this process. Please comment on both.

Shonholtz: I wouldn't say the Millennium Corporation does not have a lot of money, I think it has a substantial amount of money. The irony about MCC is that it has two phases: the threshold phase and the compact phase. MCC was created to avoid USAID. We all know that, so the irony of course is that all threshold money runs through USAID. It is the heart of the issue which we haven't spoken about is how do you keep track of that money. Indonesia got 50 million dollars for the threshold and 500 million on compact, which is going to happen very soon if it hasn't already happened. That's an awful lot of money to be managed in a country like Indonesia. So assistance, internal assistance, is a critical issue. One of the requirements for giving both the threshold funds and then eventually the compact is that there needs to be local engagement, that NGO's and civil society be involved in the program that is to be funded by the MCC. It's probably one of the greatest weaknesses of the corporation—it has very little capacity to do that. It has a limited field staff, all decision-making is made in Washington not by the field staff, so everything goes upstairs and of course local issues drop out of the process. So when I had mentioned impact investing, in my mind the way it would work would be that that requirement be taken very seriously. You're looking for an organization, that's relatively entrepreneurial (Ashoka, Ford Foundation). I think that the local engagement begins to provide an opportunity to build up the capacity of local organizations to deliver what MCC wants them to deliver. Give them enough resources, financial and otherwise, that they can make products and services out of what they are doing. This is not something we have to do R&D on; we have many examples of this. The investment is not with the beltways, the investment is with people and organizations in the country we are working in regardless of what the subject is. You know most money stays here. Most aid money stays here, it does not go the country.

Question: I'm curious, a lot of what you are talking about is procedural, but at the beginning you were talking about the need for a change in mission. I was curious as to what your thought the role of organizing around prevention will be.

Shonholtz: It is probably one of the subject areas in which we can get the greatest integration between departments. I think that's what Gates was really referring to in part by some functions that he now has under DOD really ought to move over to State or to USAID. Prevention is really more the civilian arena, than it is in the military, although we see the military keeping very successfully into that region. In Afghanistan, Petraeus was the guy who said a year and a half ago: let's bring anthropologists and sociologists into Afghanistan to figure out what these tribes are doing and what they need and from this bottom up perspective it sounds a little bit like my "lets work with local engagement and people and start thinking about what they need rather than just saying what they ought to have, we will build loyalty and win hearts and minds. So I think the more we do prevention, the more we put our resources towards it, and improving the ability to really do assessments. I think the current level of AID assessment is not what we need. I think that much more intimate assessments and what I call an elicited assessment process—what are people saying they want, not what we can deliver. And we don't get this mirror effect. So the interviewee is not stupid, so they know you couldn't possibly bring them money so they talk about water, but really they might need something radically different. The more we really relate our work to the actual needs of communities, the more loyalty we will build up...but we'll also build up an understanding of what they need from a prevention point of view.

Barton: I think that most administrators when they come into AID look at all the wonderful things that are being done and then try to suggest how their strategic plan or their mission is going to embrace them all. My sense is that there needs to be an equilibrium between the longer term development and that in turn needs probably a new U.S. national development strategy which really speaks to the concept of prevention, and then the other half of the organization is going to be complex emergencies. But those two cannot be totally distinct worlds, and they are right now, and people inside AID

would never make a career going between those two. They are often times at odds, but I think that if you can find equilibrium and then you can find what the common principles are, and prevention has to be one of those, then I think you come close to a mission that everybody understands.

Question: I'm wondering how all these institutional changes in State and USAID that you talk about are going to be reflected on the ground in terms of how the U.S. government prioritizes, how the U.S. government determines who is receiving the funding. Do you suggest maintaining something like the MCC criteria for determining this or something different?

Adams: My sense of that is that we need to strengthen both the top down and the bottom up process. I devoted most of what I said to the top down, that is to say that the capacity to think across agency programs, across region, across country simply doesn't exist in Washington. So if you even want to answer the question of mission right now you can't answer it at the Washington level. You don't know what it is. That was my warning at the beginning of what I had to say, is that if people walk into their offices and sort of accept the way business is being done in these organizations right now, that's not really going to change. Everybody will go looking for their particular program, think their particular program is the way things should operate, lose all sense of the connective tissue between what they are doing and what everybody else is doing at the Washington level. That is why I heartily endorse what Rick was suggesting, that is to say a much more conscious sense of the cross-agency, cross-program connection in Washington. And that means at every level in Washington. This means reinforcing the capacity at State to do strategic planning. Strategic planning is not part of State Department culture. There is a capacity building that needs to happen at that level.

The bottom of it is at the embassy level. And one of the biggest weaknesses of a capacity which I think should not be done away with is the types of responsibilities that Jeff was doing in the State Department. But one of the weaknesses was the disconnection between what the embassies think are the major areas of program activity that are important to the U.S. engagement in a particular country, and what the budget is doing to allocate resources up the food chain.

Shonholtz: I think a national development strategy is essential. I think changing the authorization of legislation for foreign assistance is critical. The subtext to that would obviously be a national development strategy, it would be presented to congress every three years but you would have a much more viable umbrella under which it was taking place. With regards to selecting the countries, I think we need an emphasis on narrowing the countries down, and I think the type of criteria that MCC has done, whether you like it or don't like it, the nice thing about it is it is clear. You can see the criteria and how they are weighing what they want. That is not true at AID, and to Ricks point, it's completely opaque.

Question: I would be curious to hear how AID can engage with AFRICOM?

Question: In the larger picture of what I'm hearing is that we need greater integration; this exists within a context of a bureaucratic culture. How do we make that shift, how does it happen?

Question: We spend a lot of time digging USAID, we talk about what's going wrong. How much are think-tanks, government agencies looking at other donor agencies in the world, the counter parts to USAID?

Question: My question is about public diplomacy. I was wondering if you could briefly comment on what you think is the way forward should be for public diplomacy.

Question: We talk about the big money, but I work with people on the ground that can't get the thousand dollars who can make the difference. Given all the innovation that we have, there should be ways to get the money to them. The second thing is a question of public diplomacy, if the bombs are dropping, it doesn't matter what the water project is doing.

Adams: In backwards order to the questions, cultural innovation takes time, that's the reason to start now, because it is going to take time.

Public diplomacy, you can't make a silk purse out of a sow's ear. Every single poll we've taken over the past eight years has shown us it's the policy. So the key to successful public diplomacy is successful policy because you can't sell a bad policy.

Three: governance. If anything makes me squeamish about American foreign policy it's when we go abroad and tell people we know how they should govern themselves. I think we systematically incapacitate our own AID programs when we tell people how to govern themselves.

Fourth, AFRICOM, co-command's... I am not a believer in co-command expansion of mission. I will tell you that right off the top. The worst aspect of empowering the United States military forces, for whom I have great respect, with this wider sense of mission is: One it's not a mission they do particularly well...it's not their core capacity and it stresses them; two, by assuming the default position is the United States military you are disempowering the civilian arms of statecraft; and three we put a uniform on Americans in civilian engagements, love them or leave them, other countries don't really welcome that.

Shonholtz: I think the point that Louie made of 'how do we make the change?', it's through these kinds of things. And then Ramon's question about if anyone's listening...I think we need a lot more of these. I think the ideas have to be in circulation. Washington is a listening kind of...getting the currency of the crowd. So I think we need to get all these ideas in circulation, get some substance behind them, get some more critique on impact investing and these things, but we need them now. But I also think we need to understand how to access and use all this incredible new young talent that's coming into development, and along that line I think questions that we've raised about personnel, I see no reason why somebody has to be a foreign service officer to be in AID or State...I don't understand it. I think we should be drawing the best people from academies, from corporations, from the NGO's, they have five year contracts...three year contracts...now AID already has this...it's not a revolutionary idea. Many people at AID are already on five year contracts, the problem is they don't leave. They get these contracts constantly renewed. Now we want to do something like the Peace Corp. Why is the Peace Corp. so supported in the U.S.? Because thousands of people have been through it. And they come back home and their parents are enthused, and their community is enthused...we want the State Department and particularly development at AID to have thousands of people running through it.