USAID
FROM THE AMERICAN PEOPLE

2012 ANNUAL LETTER

ELEVATING DEVELOPMENT

Two years ago, President Barack Obama and Secretary Hillary Rodham Clinton both called for elevating development within America's foreign policy. America's world-class defense and diplomatic efforts were long seen as the twin pillars of our nation's presence around the world. But the President and Secretary both believe that the development work our staff does is just as vital to our country's interests and national security as the work of our soldiers and diplomats.

Many people in the development community assumed their call to elevate development was about recognizing the importance of the work USAID and others have done for decades.

Since our founding 50 years ago, USAID has played a critical role in lowering child deaths by 12 million a year. The Agency was central to efforts that strengthened global agriculture and saved hundreds of millions from hunger and famine. We responded to droughts, earthquakes and floods that imperiled millions. And USAID helped countries cut extreme poverty by more than half.

But the President and Secretary's call for elevating development was not a show of gratitude. It was not a reward. It was a challenge. It meant we would have to move past old debates and embrace new opportunities.

Elevating development means we have to focus on seizing pivotal opportunities to build resilience to disasters, boost global agricultural production and improve child survival.

It wasn't enough to do good. In the face of growing populations, a changing climate and extreme humanitarian emergencies, we had to prioritize efforts that could deliver transformational results in the future.

Elevating development also means we have to continue to improve governance in sites of active conflict like Afghanistan to increase stability, strengthen our national security and deliver lasting results.

It means we have to embrace democracy as central to the endeavor of development, especially in the wake of the Arab Spring.

And it means we have to partner with companies to profitably invest abroad and strengthen our economic footing at home.

Over the last two years, we've worked hard to take up the President and the Secretary's call. It hasn't been easy and progress hasn't always come as quickly as we'd like. But throughout this letter I hope to show how key choices and reforms we've made are allowing us to rapidly respond to the demands of our world.

Cover: A student prepares to answer a question at the USAID supported Mwangaza Tumaini School in the urban settlement of Makuru in Nairobi, Kenya.

Morgana Wingard | ONE

At a time when droughts are becoming longer and more severe, we need to help communities withstand disasters, not just provide relief after they strike. In Uganda in 2009, a novel safety net program provided financial security ahead of a prolonged drought in exchange for work building roads to the nearest market. The workers were able to persevere through the crisis, while the road they built helped expand access to critical supplies of food.

Kaarli Sundsmo | USAID

SEIZING PIVOTAL OPPORTUNITIES

Last year, the world welcomed its seven billionth citizen. By 2040, it will welcome its ninth. In order to provide for a population that large, we'll have to double global food production, all while a changing climate leads to warmer temperatures, more erratic rains and longer, more vicious droughts.

Development is full of competing priorities, but only a few represent significant opportunities. **Doing good is not good enough. We must make tough choices to stay focused on the biggest opportunities.** Rather than chase the latest fad or jump from priority to priority, we must seize pivotal opportunities that we know can leave behind generational legacies of success: building resilience to disasters, increasing global agricultural productivity to fight hunger and malnutrition and helping countries reap what is known as a demographic dividend.

PROVIDING RELIEF, DEVELOPING RESILIENCE

Last year, Dr. Jill Biden, Senator Bill Frist and I travelled to Dadaab, Kenya, site of what has now become the largest refugee camp in the world. In 2011, the worst drought in six decades forced more than 290,000 Somalis to seek refuge in neighboring countries.

The drought led to suffering throughout Kenya, Ethiopia and Somalia, a region referred to as the Horn of Africa. Over 13.3 million people were put at grave risk, in need of emergency assistance.

In southern Somalia, where 20 years of conflict wore down the country's ability to cope, the drought led to a famine. That meant at least three of every 10 children there were malnourished and two out of every 10,000 people were dying each day. One in five lacked access to basic foods like bread or rice.

It's difficult to appreciate what statistics like that actually mean. But a story I heard in Dadaab from a young Somali woman named Habiba brought the harrowing tragedy home. Desperate to escape the famine, she described the 100-mile journey she took to Dadaab on foot with her two children by her side.

As she pressed on, her children became too weak to stay on their feet. First she carried one. Then the other needed her support. Eventually the strain became so much that she struggled to continue. She looked at her two children, said a prayer and made the heartbreaking choice to leave one of her children behind.

No mother should ever have to face such a choice. Stories like Habiba's are made even more devastating by the fact that things don't have to be this way.

While we can't stop catastrophes from occurring, we can do more to help people withstand them, so that they don't shatter development gains or give rise to violence that can set countries back decades.

The development community has to expand its focus from relief to resilience—from responding after emergencies strike to preparing communities in advance.

In Dadaab, Kenya a young Somali woman explains how she walked over 100 miles on foot with her two children to seek refuge from famine.

Anna Gohmann | USAID

"The development community has to expand its focus from relief to resilience—from responding after emergencies strike to preparing communities in advance."

Thanks to an early warning system we established years ago, we were able to predict the severe drought in the Horn months in advance. We shipped food ahead of time to storage sites in the region so we could quickly distribute it once crisis struck.

We stockpiled vaccines, health supplies and clean water because studying past famines showed us that preventable disease, not hunger, was the leading cause of death among children under five.

And we helped communities in Kenya build catchments so they could collect and store as much water as possible before the drought.

We also partnered with an insurance firm to pilot cutting edge microinsurance programs that compensated farmers and herders who suffered grave losses. Last October—during the height of the drought—those programs made payments to over 600 cattle herders who had purchased coverage for their animals earlier that year.

And we worked with the Ethiopian government to support a life-saving social safety net. In 2002, drought left 14 million people in Ethiopia in need of emergency aid. From that tragedy grew a government led program supported by the U.S. and other donors designed to provide regular payments and food directly to vulnerable communities. In exchange, recipients do work building community projects like roads, wells and schools.

Because of that program, 7.5 million people in Ethiopia were able to withstand last year's drought without seeking emergency food or medical aid. To raise awareness of the crisis and build support for the response here at home, we enlisted universities, companies, communities of faith and celebrities to help launch the FWD campaign, which stands for famine, war and drought—the three principal elements of the crisis in the Horn.

But FWD also represented our call to action. We wanted people to forward the facts about the crisis to their friends and families, share them on Facebook and tweet them to their social networks.

SCAN OR CLICK HERE TO ANSWER OUR CALL TO ACTION ABOUT THE CRISIS IN THE HORN OF AFRICA.

Thanks to the hard work of our disaster response and resilience teams and the generosity of millions of Americans, the United States provided lifesaving food aid to 4.6 million people and served as the largest humanitarian donor during the crisis. We helped protect 1.5 million children against preventable diseases like measles and polio and even helped to provide a newly developed vaccine designed to fight pneumonia.

The response hasn't been perfect. In the worst hit areas in southern Somalia, humanitarian access was impeded by a group openly affiliated with al Qaeda. It took too long for local governments to recognize the crisis and respond. It was difficult to coordinate relief work between several of the new organizations involved. And transitioning communities from emergency relief to long-term development remains a challenge, especially as droughts are likely to return. But we are taking those lessons to heart as we face another potential weather-related crisis this year in the Sahel—the belt that separates the Sahara Desert from the Savanna. Our teams are now working to connect government efforts early and build resilience in communities that will likely be hit by droughts.

As a father of three, I still think of the crippling choice Habiba had to make. But I'm heartened by the fact that our teams are working hard to help others avoid facing a similar moment of desperation. Building resilience to disasters is a major part of that effort. But we must also strengthen food security so that droughts no longer lead to food crises.

ASSISTANCE TO THE HORN OF AFRICA

13.3 million

WERE AFFECTED BY THE FAMINE IN THE HORN OF AFRICA

7.5 million

PEOPLE IN ETHIOPIA WERE ABLE TO WITHSTAND LAST YEAR'S DROUGHT WITHOUT SEEKING EMERGENCY AID BECAUSE OF THE PRODUCTIVE SAFETY NET PROJECT

4.6 million

PEOPLE SUPPLIED WITH FOOD AID BY THE UNITED STATES

1.5 million

CHILDREN PROTECTED FROM PREVENTABLE DISEASE

BOOSTING HARVESTS, FIGHTING POVERTY

In 2008, the balance of the world shifted. For the first time in history, more people lived in urban settings than in rural communities, thanks to the rapid growth of cities in Africa, Latin America and Asia.

Within those cities are growing slums—informal dwellings that spring up to support the swelling ranks of the urban poor.

If you've been to a developing country—or even to some wealthier places—you have seen these slums up close: thin walls, blue tarp roofs and rubble at every turn. The award-winning film "Slumdog Millionaire" painted a vivid portrait of this setting.

Because that's the picture of poverty most of us have seen, that's how many of us think the very poor live. But despite the rapid growth of these slums, poverty is by and large a rural phenomenon. The majority of the very poor and hungry are farming families who tend small plots of land. That's especially true in countries like Ethiopia and Tanzania, where three out of every four workers lives on a farm. For most poor people in the world, tending the land is one of the only ways to earn money and feed their families.

That's why almost every country that has emerged as a developed economy has done so by increasing the productivity of its farms. Economic growth means agricultural growth in those countries, almost by definition, accounting for more than 25 percent of GDP.

If farmers can use better seeds, fertilizer and irrigation to grow and sell more crops, they can boost their incomes while lowering food prices, which account for their largest expense. Unlike Americans, who spend six percent of their income on food, families in countries like Malawi spend nearly 70 percent. When food prices fall here, we may save a few dollars at the grocery store. When they fall in poor rural villages, it changes lives.

In fact, just a one percent gain in agricultural production can generate a four percent increase in the purchasing power of the poor. As a result, growth tied to gains in agricultural productivity is up to three times more effective in raising the incomes of the poor than from other sectors.

To put it simply: if you care about fighting poverty, then you should care about boosting harvests.

"To put it simply: if you care about fighting poverty, then you should care about boosting harvests."

In 2009, in part because of personal appeals made by President Obama, governments pledged to reinvest in food security. By committing $22 billion to global agriculture, wealthy economies rebuilt political will for the cause and encouraged developing countries to commit more of their own resources.

Most critically, that money was directed against plans developed and led by partner countries. That's the framework behind Feed the Future, our food security initiative.

In 20 countries, we're investing in the specific crops and regions that countries believe will most rapidly spur economic growth and fight malnutrition.

Last year in Haiti, we saw staggering results when we piloted a program designed to intensify rice yields through planting techniques in the areas surrounding Port-au-Prince. Haitian farmers saw their yields increase by almost 120 percent, while lowering their cost of production. The farmers even cut 10 days off their normal harvest. Today that program is being expanded to reach farmers in other development corridors throughout the country.

We're also focused on empowering women, because they make up a larger share of smallholder farmers. If we give women the same access to capital as men, we could see yields increase by 30 percent—enough to feed 150 million more people.

Despite the effort to build political will for strengthening food security, we still face challenges. The plans of our partner countries are still underfunded and the money that donors have committed has been slow getting out the door. Perhaps our biggest challenge has been encouraging private sector investment in developing world agriculture.

We need companies to sell better seeds and fertilizers to poor farmers, insure them against failure and help get their crops to market. Without those crucial contributions, farmers can't succeed—here in the U.S. or anywhere else.

To help support that activity, we worked with J.P. Morgan to drive capital toward East African agribusiness. Along with the Gates, Gatsby and Rockefeller Foundations, we enabled a Kampala-based fund manager to invest $25 million in at least 20 agriculture firms throughout the region, raising incomes for at least a quarter of a million households.

The point of these efforts isn't to reshape the world's farms in America's image. It's to help increase farmer income and address the staggering rates of malnutrition that rob children around the world of their potential. If children can't get enough nutrients during the critical 1,000 days before their second birthday, they suffer irreversible limits to their potential and lifetime earnings.

To give these children a fair chance at a healthy life, we have to help their communities grow more food.

SCAN OR CLICK HERE TO SEE HOW FEED THE FUTURE CAN POTENTIALLY HELP LIFT 18 MILLION PEOPLE OUT OF HUNGER AND POVERTY.

REAPING THE DEMOGRAPHIC DIVIDEND

If you look at some of the fastest growing countries in Latin America and East Asia today, you'll see a pattern in the age of their populations. The percentage of those who are able to work—usually those between 15 and 64—is much larger than the share of the very young or very old.

With more of their populations able to work, those nations increase their economic potential. Along with smart economic and labor policies, that demographic pattern can add as much as two percentage points of growth for years.

That phenomenon, known as the demographic dividend, is rooted in decisions those countries made in the '60s and '70s to improve child survival, expand access to voluntary family planning and educate girls. Those efforts led to a fall in birthrates that increased the productive share of their population.

Although several African countries are poised to follow in the footsteps of Latin America and East Asia, populations are still rising fast, making Africa the only continent that will double in population by 2050. Liberia and Niger are growing even faster, set to double their populations in just 20 years.

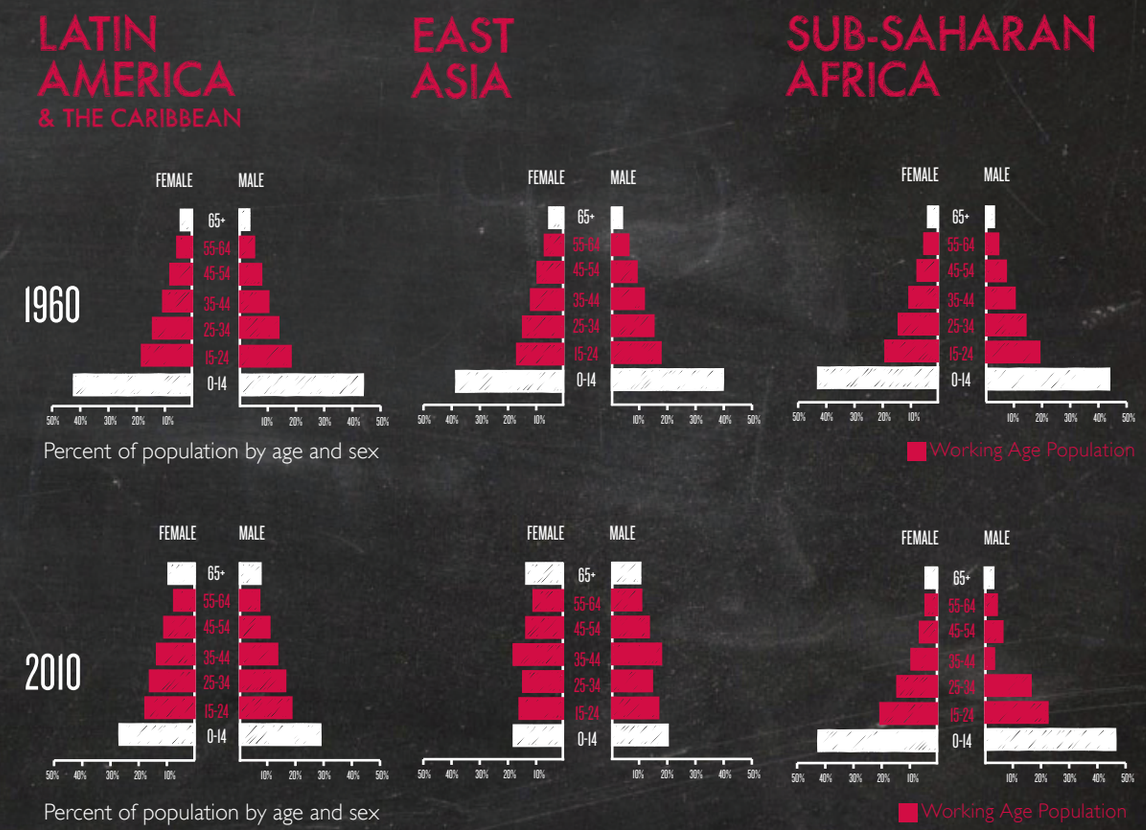
Whether those countries reap a demographic dividend will depend on choices made today.

One is to focus on education, especially for girls and young women. Last year, we released a strategy designed to focus our education work on literacy, not just access. By 2015, we think we can improve the reading skills of 100 million children if we support teachers with effective learning plans, rigorous tests and exciting technologies like low-cost e-readers and virtual libraries.

Another choice is to expand access to voluntary family planning. By helping couples time and space their births, women can prevent high-risk pregnancies and countries can counter the stresses of overpopulation.

But perhaps the most important choice is helping all children live to see their fifth birthday.

It may sound counterintuitive that family sizes would decrease if children live longer, but in country after country, we have seen families willingly choose to have fewer children when they know each will have a chance for a healthy life.



In the 1960s, countries in Latin America and East Asia chose to prioritize child survival, access to voluntary family planning and education. Those efforts led to a fall in birth rates and a rise in the productive share of their population, which added nearly two percent to the GDP growth rates for years. Today, Africa is poised to reap a similar dividend.

Source: United Nations, Department of Economic and Social Affairs, Population Division (2011). World Population Prospects: The 2010 Revision.

Celebrating 50 Years of Progress

This year marked a special milestone for our Agency as we celebrated our 50th anniversary. Throughout our history, the men and women of USAID have played an extraordinary role in shaping a more peaceful and prosperous world.

In celebration of our anniversary, we put together a series of creative infographics that display some of our most exciting and meaningful work—from harnessing mobile phones in the fight against poverty to investing in women and girls. Behind each of these success stories is a team of talented and deeply committed people—from our core staff of Foreign Service Nationals to our newly minted classes of Development Leadership Initiative officers, from career staff in Washington to our Foreign Service officers around the globe.

Development professionals don't do this work because it's easy, or because it's a path to fame and fortune. They do it because they believe passionately and profoundly in our mission to answer calls for help and support those in need.

They travel considerable distances—and sometimes in the face of great danger—in order to make sure that children can live healthy lives; young girls enjoy equal opportunities in life; and countries build the capacity they need to empower their own citizens.

I come to work each day honored to lead such a talented, dedicated staff that is willing to take risks to fulfill an incredible mission.

SCAN OR CLICK HERE TO VIEW A VIDEO HIGHLIGHTING THE TREMENDOUS WORK OUR AGENCY HAS DONE SINCE PRESIDENT JOHN F. KENNEDY FOUNDED USAID 50 YEARS AGO.

Investments by the Obama Administration and other donors to GAVI have ensured that for the first time, the latest vaccines reach children in the developing world at the same time as they reach children in developed countries. Here, a baby in Nicaragua is receiving protection against rotavirus, a disease that causes diarrhea.

Living Proof | ONE

The good news is we have remarkably effective and cheap ways to help children survive.

Many children die because they simply can't breathe during their first "golden minute" of birth. Our Helping Babies Breathe partnership is equipping midwives and caregivers with low cost tools that can help newborns take their crucial first breaths.

Our 1,000 Days Partnership is shifting our nutrition efforts to focus on the time between a mother's pregnancy and her child's second birthday. By targeting those in that critical window, we can fight the hidden hunger that robs children of their potential.

Last year, we launched WASH for Life, an initiative that will solicit and test new ways to improve access to clean water, sanitation and hygiene. Something as simple as clean water can bring down the 1.5 million child deaths that occur every year from diarrhea.

Our Presidential Malaria Initiative is one of the most powerful ways we have to improve child survival. By helping children sleep under bed nets, we have seen an astounding 30 percent drop in child death from all causes. Those children aren't just avoiding malaria, they're staying healthy, freeing doctors to focus on other patients.

And the President's Emergency Plan for AIDS Relief is ensuring pregnant HIV-positive women have access to medication so they can give birth to an AIDS-free generation. On World AIDS Day, President Obama announced that drops in the cost of a year's supply of AIDS medication—from $1,100 to $335—allow us to provide lifesaving medication to six million people, up from four.

Thanks in large part to those initiatives and commitments the U.S. and other donors made to the GAVI Alliance—an organization that has reduced the costs of introducing new vaccines—we are within sight of ending preventable child deaths in a generation.

By working closely with countries and continuing our results-oriented investments in global health, we can bring the rate of child mortality in poor countries to the same level it is in rich countries.

Development is full of problems we have few ways to solve. Helping a child reach their fifth birthday is not one of them.

THE YEAR IN REVIEW

LONDON

At the GAVI Alliance Summit last year, the world came together to save 4 million lives over the next five years by ensuring that children in the developing world have access to new vaccines that will protect them against pneumonia and diarrhea, the two leading causes of global child death. We continued our commitment to one of the smartest, most effective investments we can make.

HAITI

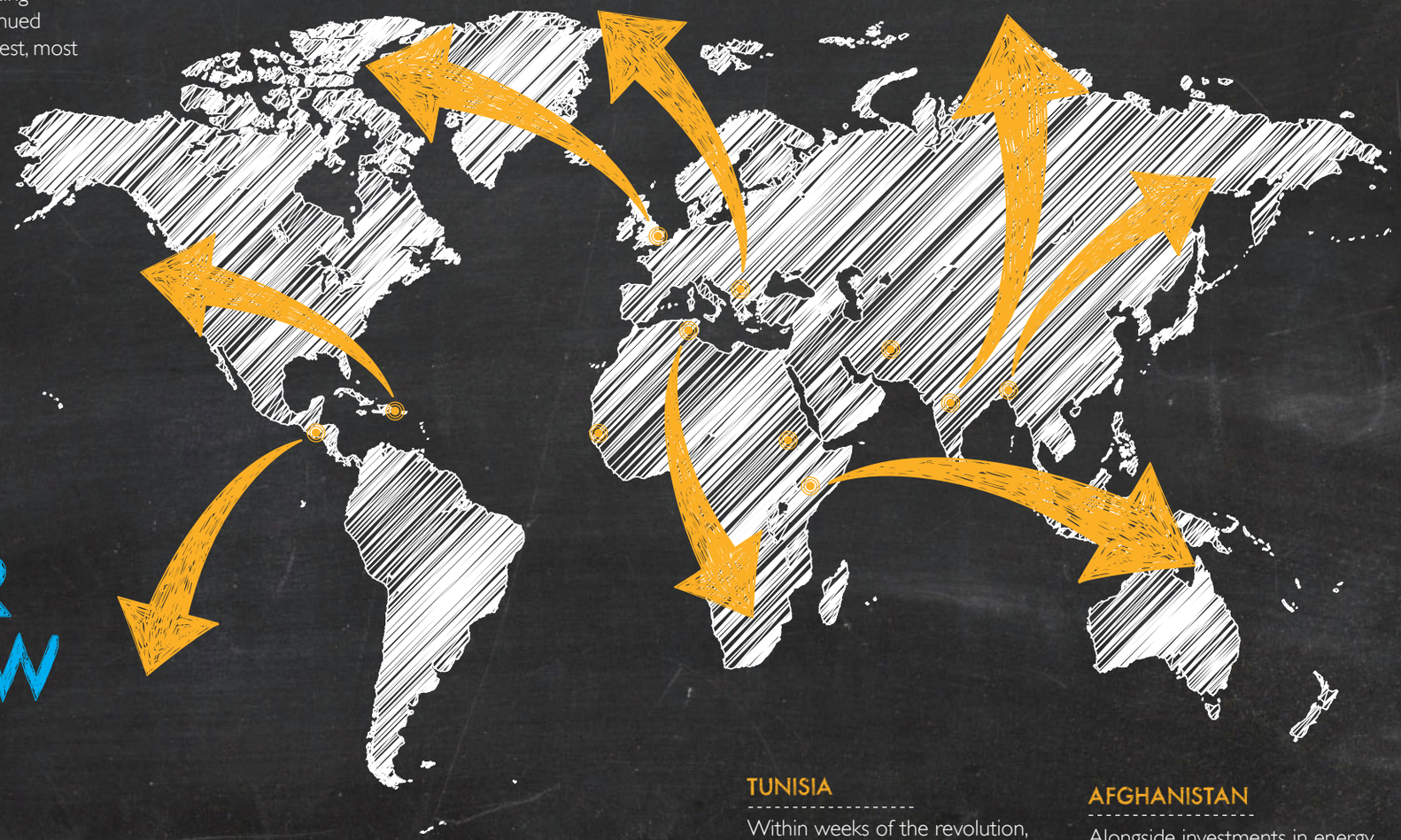
With the Gates Foundation, we've now helped nearly 800,000 Haitians save money and make safe financial transactions on their mobile phones. In a nation where banks are rare, but cell phones are everywhere, we're catalyzing local wealth creation and expanding opportunity.

SERBIA

We helped launch the first municipal bond in the country, sparking activity in Serbia's nascent capital markets. As a result of our $4.3 million bond guarantee, Novi Sad, Serbia's second largest city, received $45 million from local pension and insurance companies to fund critical infrastructure projects.

INDIA

Thanks to USAID-supported immunization campaigns and a robust surveillance system, India—once the world's epicenter of polio—recently celebrated one year without a single case. Although we have to remain vigilant, global progress in the fight against polio is placing us on the verge of eradicating the disease forever.



BANGLADESH

With support from Feed the Future, President Obama's global food security initiative, Bangladesh is transforming its agricultural productivity. We've helped more than 400,000 rice farmers increase yields by 15 percent through the more efficient use of fertilizer, leading to the first ever rice surplus in the country's poorest state.

SOUTH SUDAN

On July 9, South Sudan celebrated its independence day, and the world welcomed its newest nation. Having played an important part in making this moment possible, we're helping the new nation expand school enrollment rates from 20 to nearly 69 percent, transform the agricultural sector and foster a more attractive environment for private sector investment.

HORN OF AFRICA

When the worst drought in 60 years placed more than 13.3 million people at risk and in need of support, we responded, delivering lifesaving food aid, vaccinating children and supporting social safety nets for millions of people. Bridging the divide between disaster resilience, response and sustainable development, our teams came together before the crisis to design a groundbreaking strategy focused on helping people withstand the worst effects of the drought.

GUATEMALA

We piloted an innovative research tool called the Women's Empowerment in Agriculture Index to scientifically and rigorously measure the impact of our food security programs on women. Now in use across all Feed the Future countries, the Index helps us measure and understand whether our investments effectively empower women in their businesses and lives.

SENEGAL

Thanks to the dramatic scale-up of malaria prevention and treatment efforts under the President's Malaria Initiative, we've seen extraordinary results around the world. In Senegal, child mortality declined by 40 percent in five years, largely because preventing children from contracting malaria creates a cascade of other life-saving health benefits.

TUNISIA

Within weeks of the revolution, we assisted the nation's transition to democracy by helping support an independent elections commission and provide training on electoral procedures. Last year, millions of Tunisians cast their votes in an historic and peaceful election—the first free election of the Arab Spring.

AFGHANISTAN

Alongside investments in energy and economic growth, we worked closely with the Ministry of Public Health to help the nation achieve the largest decreases in maternal and child mortality in the world over the last decade. Today, basic health services have expanded to reach 64 percent of the country and include more than 22,000 community health workers.

In the first demonstrations of the Arab Spring, Tunisians protest against the rule of President Zine El Abidine Ben Ali in front of the Interior ministry in Tunis on January 14, 2011.

Fethi Belaid | AFP

EMBRACING CHALLENGING ROLES

The development community has a comfort zone. For decades, it has excelled at responding to crises, fighting hunger and disease and expanding access to education and clean water. But its experience promoting democratic rights, stabilizing and preventing conflict and encouraging private sector investment has been far more mixed.

As the events of the last year have shown us, the development landscape is changing and we must change with it. The Arab Spring has ushered in new possibilities to empower the oppressed. Conflict and extreme poverty are increasingly becoming intertwined. And private sector investment in the developing world has outpaced foreign assistance. **To respond to these changing tides, the development community must embrace more challenging roles.**

SUPPORTING DEMOCRATIC MOVEMENTS

The defining story of 2011 belongs to Mohammed Bouazizi, the young Tunisian fruit seller who set himself on fire after being humiliated by local police. His powerful story resonated with everyone who heard it, whether it stirred our empathy or called us into the streets. In one act of protest and desperation, he reminded everyone of the power that a single person has to change the world.

As the Arab Spring took hold, President Obama made it clear that the pursuit of America's interests would align with America's values. "We have embraced the chance to show that America values the dignity of the street vendor in Tunisia more than the raw power of the dictator," he said. We had a stake "not just in the stability of nations, but in the self-determination of individuals."

For decades, USAID has been the largest and most active supporter of democracy, human rights and governance work worldwide. We helped citizens in former Soviet states embrace freedom as the Cold War ended and supported several of the major local organizations involved in democracy promotion. But even then, we struggled to emphasize this work throughout our development portfolio.

Development professionals can fall victim to defining welfare solely in terms of GDP or mortality. But opportunity doesn't just come from a percentage point of growth or a vaccine; it comes from a free and fair society where people can speak freely, protest and choose their representatives. It comes from checks and balances that ensure economic opportunity is broad-based. As protesters marched in Tunis, filled Tahrir Square and led a revolution in Libya, we acted quickly to put that understanding into practice.

In Tunisia, our teams were among the first on the ground, working with the local Red Crescent to provide emergency relief supplies for those displaced by the revolution. After President Ben Ali fled the country, we formed a joint team with the State Department to assess the needs of the new transitional government and its citizens. And we helped support an independent elections commission, provided training on electoral procedures and empowered citizens who embraced new freedoms and actively participated in the political process for the first time in their history.

"Opportunity doesn't just come from a vaccine or a percentage point of growth; it comes from a free and fair society where people can speak freely, protest and choose their representatives."

I visited Tunisia last July and saw a country full of talented young students and entrepreneurs, eager to turn their national traditions of strong education, religious tolerance and women's rights into the hallmarks of a vibrant democracy.

While there, I got one of the best receptions I've ever received, by an assembly of engineers that had studied in America in the '80s and '90s on USAID scholarships, most of them at Big Ten schools. It made me proud of our Agency's legacy that these engineers were now driving a newly free Tunisia's participation in the innovation economy—not just as an Administrator, but as a Michigan alum.

In Egypt, as protestors filled Tahrir Square, new reforms we made allowed us to quickly partner with civil society groups formed in the wake of the revolution. We flew in citizens who participated in revolutions in Eastern Europe and Latin America to talk with Egyptians about building political parties and organizing for elections.

That support helped educate voters and enlist election observers, ushering in the freest and fairest parliamentary election in Egypt's history. The path of political reform in Egypt will be long. But these elections were an important step towards reforms that place the country's prosperity and future in the hands of its people.

In Libya, our response teams rushed to the country's borders to help those fleeing the crisis. We provided health services and food aid to revolutionaries in Benghazi to assist victims of violence. And as the revolution gathered momentum, we focused on supporting independent media outlets and civil society organizations that could help the country overcome four decades of dictatorship.

Our work in strengthening democracy, human rights and governance around the world will never be easy.

Tyrants will fight desperately to deny the demands of freedom from their people, as we're seeing in Syria today. And even when dictatorships fall, their legacies of corruption and abuse can be hard to break.

The fate of Tunisia, Egypt, Libya and other countries swept up in this wave of transformation will ultimately depend on the citizens in those countries. There will likely be setbacks, just as there were in Eastern Europe.

But we—and the development community more broadly—must embrace a role that supports those who struggle for dignity and self determination.

While we can't deliver democracy tomorrow, we can continue to empower those on the right side of history.

WORKING ON THE FRONTLINES

Last November, I had the privilege of addressing an audience of cadets, officers and students at West Point. When I told one of our supporters on Capitol Hill I'd be speaking there, he seemed puzzled. What did development have to do with national security?

Increasingly, a lot. As conflict threatens people in countries around the world, development plays an important role in building peace and keeping our country safe.

Throughout our history, USAID has worked closely with our military in conflict and crisis. In Colombia, our civilian-military partnership helped establish stability during the country's successful struggle against rebels and drug cartels.

And in Haiti, as I described last year, we worked with the Army Corps of Engineers to clear rubble and rebuild ports.

These close partnerships are controversial. Many in our community worry that they signal a militarization of development—that humanitarian needs will be overtaken by political or military interests. And they worry the money we spend in war zones robs other poor parts of the developing world.

Those concerns have merit. But the truth is, the costs of conflict—developmental, economic, human—are simply too high for the development community to ignore.

If you look at most countries with extremely high rates of poverty, they are either enduring or emerging from a civil war or conflict. As the development economist Paul Collier has said, civil war is essentially development in reverse. Countries that faced violence over a period of 20 years had poverty rates 21 percent higher than those that saw peace. And no country currently in conflict is on pace to meet even one of the Millennium Development Goals.

As many stable developing countries transform into prosperous emerging markets, the poorest countries left in the world will increasingly be those plagued by war, violence and instability. If we don't confront the development needs of these states, we will be ignoring the plight of billions. And as we've painfully witnessed, conflicts fueled by despair can quickly cross borders and threaten us here at home.

That's why the work our teams are doing in Afghanistan—in the face of great risk—is so crucial. Despite frequent setbacks and near-daily violence, we've helped expand primary school enrollment from 750,000 in 2001 to 7 million children today, about a third of whom are girls. We've helped triple access to electricity, increase wheat yields by as much as 70 percent and build or rehabilitate more than 1,100 miles of road. Those are great results and they contribute to our military's ability to responsibly draw down its presence. But our challenge is to ensure those results last.

> "The truth is, the costs of conflict—developmental, economic, human—are simply too high for the development community to ignore."

A crucial plank of that effort will be to strengthen the nation's ability to perform one of the most basic functions of government: collecting taxes to fund programs that benefit its people. By centralizing the government's collection systems, we helped quadruple customs revenue and increase tax revenues by 225 percent.

Fighting corruption is another important effort. We're using cutting-edge mobile payment programs to get cash off the battlefield. A pilot program showed that paying Afghan police through mobile phones cut so much graft that the officers thought they had received a 30 percent raise. We're now working to shift salaries still paid in cash to a mobile platform, which could save ministries millions of dollars every year.

While our work in places like Afghanistan gets attention, development plays just as crucial a role in preventing conflict elsewhere. By working to foster stability and expand opportunity, we can limit the need for future military intervention at far greater cost. Last year, I wrote about South Sudan's referendum for independence. After over two decades of war, a peace agreement between the north and south and the subsequent referendum paved the way for the South Sudanese to fulfill their dreams of self determination.

In May, just a month before independence, I traveled with the heads of the British and Norwegian aid agencies to demonstrate our commitment to the country's progress. We met with the nation's leaders and discussed assistance they would need to strengthen their economy and attract investment. As we offered our support, we emphasized the need for them to prioritize economic reforms, loosen burdensome regulations and join international charters to increase transparency—requests they honored.

In December, we held an international engagement conference for the new nation—bringing together more than 20 countries and 100 corporations to help South Sudan expand business opportunities and diversify its economy. This effort must begin in South Sudan's farms and fields, where the land is so fertile and yields so low that productivity could increase by as much as 200 to 300 percent.

Despite this potential, stability is still fragile in the region. Over the last several months, terrible bouts of violence have flared up in the region. But USAID, our development partners and our diplomats are working hard to ensure the future of South Sudan remains a story of progress, not strife.

Dr. Mo Ibrahim was a leader in bringing mobile phones to sub-Saharan Africa, giving development workers an incredibly powerful tool to deliver progress.

Francoise Spiekermeier | Mo Ibrahim Foundation

ENCOURAGING PRIVATE SECTOR INVESTMENT

Twenty years ago, no one thought the mobile phone would become one of the most important development tool in existence, but it has.

Today, poor farmers can use text messages to compare prices and get more for what they grow. Community health workers can use phones to collect information and track disease outbreaks in real time. Protestors can use them to document and post videos of electoral violence. And mobile banking can give billions the chance to save money for the first time.

One of the great entrepreneurs who helped make this reality possible is Mo Ibrahim. In 1998, he founded a company called Celtel with the mission of bringing mobile phones to sub Saharan Africa.

The startup quickly grew into a billion dollar company, providing mobile phone service to 24 million customers in 14 African countries. Thanks to Dr. Ibrahim and those who've followed in his footsteps, more than four hundred million people in Africa have mobile phones today.

Dr. Ibrahim's story shows us how a strong and dynamic private sector can change fortunes quickly. But it also shows the need for the development community to focus much more actively on driving private sector engagement.

That can be a tough sell. Many in our community still have a bad taste in their mouths from early corporate activity that caused great harm in poor countries. Sweatshops, infant formula, Bhopal—each are words that conjure images of corporations taking advantage of bad regulations to exploit the poor.

As a result, when development agencies do work with the private sector, it's typically centered around charity or corporate social responsibility. When companies want to make philanthropic investments, development agencies step in to help.

But we have to get past our mistrust and shift our focus. In a world where foreign direct investment in developing countries is almost 10 times higher than all official development assistance, we must partner much more closely with the private sector to stay relevant.

Today, the best corporations have a much more enlightened

Harnessing the Power of Science, Technology & Innovation

The growth of mobile phones has once again shown that technology can change what's possible in the developing world. Our community must focus on finding new tools that can dramatically accelerate the progress of the developing world—what I described as bending the curve in last year's letter.

That's the spirit behind our Grand Challenges for Development—global competitions that encourage new solutions to intractable development problems. Last year I wrote about ***Saving Lives at Birth,*** which attracted more than 600 ideas to help mothers give birth safely in low-resource settings.

We recently launched our second Grand Challenge, ***All Children Reading***, to generate breakthroughs in childhood literacy, whether they are mobile apps that help measure and track student progress or affordable e-readers that bring the world's libraries to mudbrick schools and rural villages. Over 400 innovators—more than half from developing countries—submitted cutting-edge proposals, all with the potential to radically transform the way children learn.

We're also increasing our investments in core scientific research and technological innovation at USAID. Last year, our support of AIDS vaccine research led to the isolation of 17 novel antibodies that could each hold the key to ending the pandemic. And we supported the development of drought- and disease-tolerant seeds like maize and groundnut that have the potential to revolutionize African agriculture.

This year, we will launch a major new initiative between USAID and world-class universities, designed to encourage far more students and researchers to focus on developing world challenges.

Stay tuned.

$128.7 billion

2010 OFFICIAL DEVELOPMENT ASSISTANCE

$1.22 trillion

FOREIGN DIRECT INVESTMENT

11 of 15

OF OUR TOP EXPORT MARKETS ARE CURRENT OR FORMER RECIPIENTS OF U.S. ASSISTANCE

understanding of the interests they share with the development community. And, for good measure, they are subject to far higher standards of transparency and accountability. International charters require them to act responsibly and citizens can use YouTube, Facebook and Twitter to hold them to account when they don't.

Our partnership with the private sector must be profitable for companies. Charity and corporate social responsibility—while well-intentioned—will not yield sustainable economic progress that can raise incomes at scale. Only investments that generate real financial returns for corporations and real income for the poor can do that. We need to help companies find profit opportunities abroad, not photo opportunities.

Last year, we announced a new partnership with PepsiCo and the World Food Programme designed to do just that. Pepsi will invest in Ethiopia to improve the yields of 30,000 chickpea farmers and integrate them into their supply chain.

They'll then use those chickpeas to create a highly nutritious food paste to sell to the World Food Programme, which can use it to save the lives of malnourished children. This isn't charity work. Pepsi will also use those chickpeas to make hummus that it can sell in markets around the world.

Profit and development. Those words may sound like an odd combination. But they will increasingly define the future of our field.

We are also helping worthy borrowers get access to capital.

"In a world where foreign direct investment in developing countries is almost ten times higher than official development assistance, we must partner much more closely with the private sector to stay relevant."

Dr. Ibrahim couldn't secure a loan from a local bank to start Celtel, which feared it wouldn't be repaid. In countries throughout the developing world, risk appetites are so low that many good loans simply don't get made.

By sharing risk with these banks, we can encourage them to lend to underserved borrowers and put billions of dollars of local wealth to work. That's the idea behind our Development Credit Authority, which I wrote about last year.

That team recently founded a new Strategic Transactions Group run by former investment bankers, designed to develop novel deals that can address persistent development challenges from new angles.

By strengthening private sector activity in the developing world, we have the potential to enrich not just our partner countries but ourselves. A grant we issued in 1954 in Taiwan led to the creation of a global conglomerate that is now investing in the U.S. Their factories in Delaware, Lousiana and Texas now sell more than $4 billion in goods every year and employ over 2,000 people.

President Obama has called on America's workers to double exports by 2015, a goal we are actually outpacing, in part because of growing trade with developing countries. In fact, 11 of our top 15 export markets are current or former recipients of U.S. assistance. As our recovery strengthens, private sector activity abroad and the work USAID does to support it will play an increasingly critical part.

SCAN OR CLICK HERE TO VIEW A VIDEO ON THE DEVELOPMENT CREDIT AUTHORITY.

In June 2011, Secretary Clinton launched our Feed the Future Initiative in Tanzania at the Mlandizi Farm Women's Cooperative. The cooperative is helping develop Tanzania's southern growth corridor, the region that will hold the key to making sure the country builds its own capacity to fight hunger and poverty.

U.S. Department of State

BUILDING CAPACITY, NOT DEPENDENCE

A decade ago, Afghanistan had one of the worst health care system on earth. Hospitals and clinics were rare, the country had few doctors or midwives and average life expectancy was just a little over 44 years.

A few years ago, we were faced with a choice: we could continue to rely only on contractors and NGOs to build clinics and deliver care, or we could start to partner with the Afghan Ministry of Public Health, building up its capacity to provide basic health services.

Our work with contractors and NGOs was helping to strengthen the provision of health care. But there were few guarantees those results would last without our assistance. So we started to partner directly with the Ministry to help build it into an institution fit to serve its people, a task far harder than writing a contract or signing a check. Not only did we help the Ministry buy medicine and establish clinics, we helped them train doctors, write health protocols and build facilities.

The partnership paid off better than anyone could have hoped. The Ministry—headed by Dr. Suraya Dalil, a woman who wasn't even allowed to practice medicine under the Taliban's rule—expanded access to basic services from only nine percent of the country to 64 percent.

Just a few months ago, we learned exactly what that expanded access meant to the Afghan people. Over the last decade, Afghanistan had the largest increase in life expectancy and largest decreases in maternal and child mortality of any country in the world. The average Afghan woman will now reach the age of 64 and is one-fifth as likely to die during childbirth.

Building capacity in a place as difficult to work in as Afghanistan is a real challenge. But as I described earlier, making our results last is a key part of our focus in Afghanistan and around the world.

As President Obama said in his speech in Ghana, "By cutting costs that go to Western consultants and administration, we will put more resources in the hands of those who need it, while training people to do more for themselves."

That's why we're planning to shift 30 percent of our investments toward local entrepreneurs, NGOs and partner governments by 2015. If we do this in a responsible and focused way, we can leave

behind a legacy long after our dollars are spent.

Through our Development Innovation Ventures fund, we're supporting a startup in Kenya that is using new technology to convert waste into biogas. Right now, teams dedicated to finding investments are on the ground in places like Cairo, Lima, Nairobi, Bangkok and Dakar.

Over the last year, we worked with an NGO in Ethiopia that had been a subcontractor of ours for over 12 years, but never able to partner with us directly. Through that partnership, we were able to train 3,000 caregivers and strengthen their organization.

And when we do partner with developing country ministries, it's critical that we do so with great care. Many donors simply write big checks to poor countries and call it development. Not only can that empower corrupt politicians, it can actually undercut a country's motivation to invest in its own people. A study in the British medical journal *The Lancet* showed that African countries receiving that kind of budget support decreased their own investments in public health systems over time and focused on other priorities.

We've designed a rigorous process to ensure the money we invest in government institutions is not lost due to poor financial management or corruption.

But our best approach to making sure money is spent responsibly is to increase transparency. Last year, we made some important progress to shed light on our investments and those of our partners.

In November, Secretary Clinton and I travelled to the Forum on Aid Effectiveness in South Korea, where she announced that for the first time, the U.S. would become a full member of the International Aid Transparency Initiative. The Initiative is designed to help citizens of any country better track the aid dollars that flow in and out of their countries.

American leadership in Busan was critical to increasing the commitment of emerging economies—such as India, China and Brazil— to implement effectiveness principles like transparency in their investments. This trend is becoming increasingly important as emerging markets become assistance donors.

Americans can take pride in knowing that the United States is helping people persevere through crisis and overcome poverty, while helping countries build a more peaceful and prosperous future.

But they should take comfort in knowing that by building capacity instead of dependence, we not only create lasting progress in developing countries, we help deliver meaningful results for the American people.

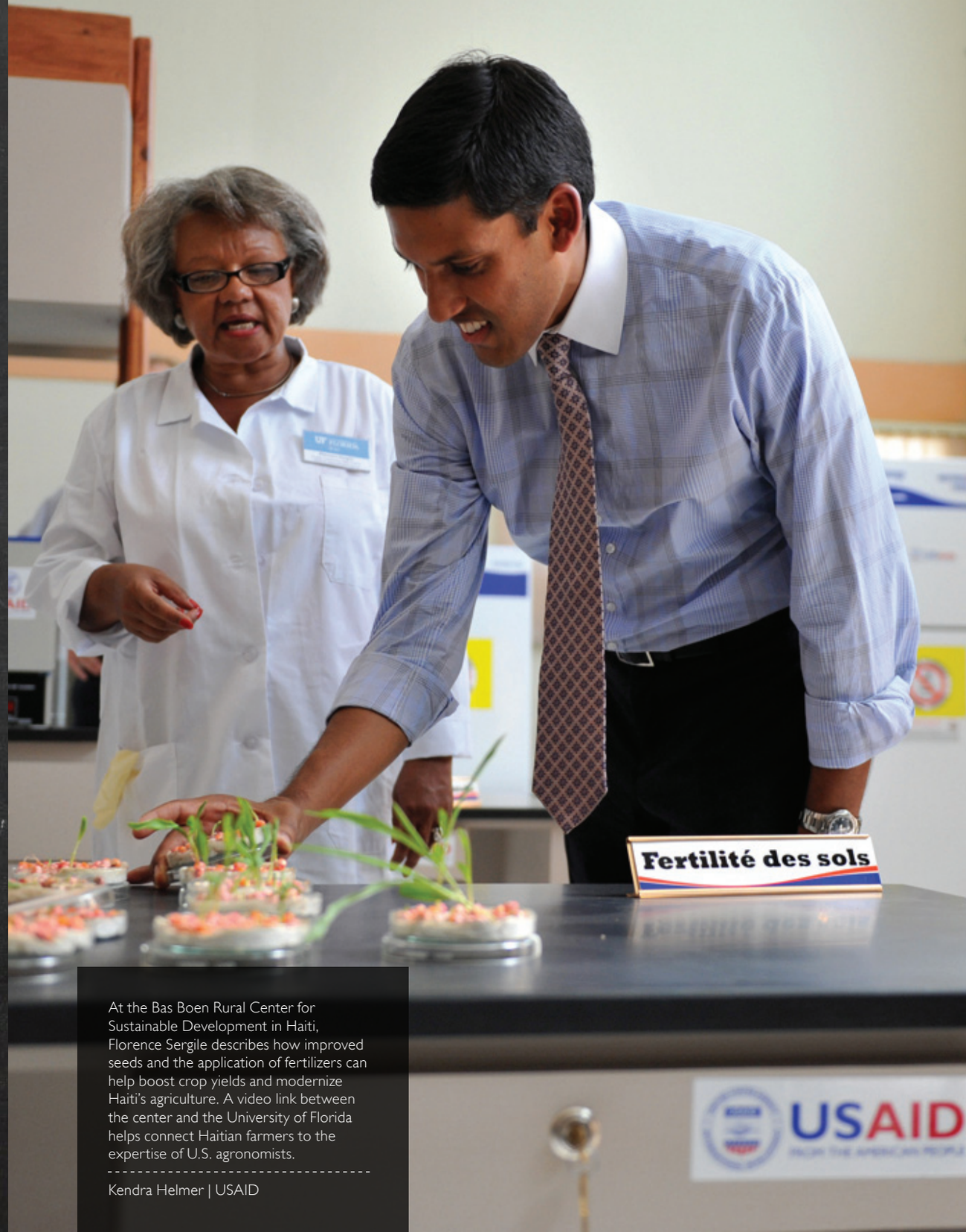
By strengthening private sector activity in developing countries, we have the potential to enrich not just our partners but ourselves through increased exports and new markets for trade.

By strengthening services in countries like Afghanistan, we deliver results that help contain extremism and speed the exit of our troops. And by working to promote democracy in the Arab world and elsewhere, we emphasize our core American values.

Those values are what inspire faith-based organizations to fight human trafficking and college students to oversubscribe courses in development in colleges throughout the country.

And they are what inspire us—the staff of USAID—to fulfill our vital mission.

Administrator
U.S. Agency for International Development



At the Bas Boen Rural Center for Sustainable Development in Haiti, Florence Sergile describes how improved seeds and the application of fertilizers can help boost crop yields and modernize Haiti's agriculture. A video link between the center and the University of Florida helps connect Haitian farmers to the expertise of U.S. agronomists.

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