

SCENE SETTER

DEVELOPMENT ASSISTANCE REFORM FOR THE 21ST CENTURY

From high-profile stabilization contexts like Afghanistan to global public health campaigns, and from a renewed focus on sustainable food security to the looming implications of climate change, development effectiveness is a central and hotly debated issue. As traditional donors make progress in the international aid effectiveness dialogue, they must increasingly take into account the changed global development landscape as well as a new ecosystem of actors, including emerging donors, multinational corporations, mega philanthropists, high-profile advocates, and a vocal and energized global public. The 2010 Brookings Blum Roundtable will explore the relationship between efforts to promote aid effectiveness and the anticipated shape of the global development agenda over the next decade.

The roundtable discussions will provide an opportunity to look beyond questions of increased resources for anti-poverty services to the effectiveness of different approaches and to systemic issues associated with the delivery of development outcomes. In light of the 2005 Paris Declaration on Aid Effectiveness and the subsequent 2008 Accra Agenda for Action, and in anticipation of upcoming critical meetings concerning more effective development efforts, including the 2010 MDG Summit at the U.N. in September, the G-20 Summit in South Korea in November, and the High Level Forum on Aid Effectiveness in South Korea in 2011, we will examine how bilateral and multilateral programs can better reflect the realities of global development in the 21st century.

On the first day, we will begin by exploring the relationship between aid and development strategies. Having identified some of the critical overarching tensions and topics for the Roundtable, participants will have the opportunity to examine current efforts to modernize the U.S. government's approach to global development. Through executive branch policy reviews and through Congressional legislation, the U.S. is navigating a generational opportunity for systemic reform. We will consider the ways in which potential changes can

affect development outcomes and why U.S. reform is important to the international dialogue on aid effectiveness.

The second day will offer participants a chance to exchange ideas on how elements of a changing global context have an impact on aid and development. In Session III, we will significantly expand the discussion to look at the roles of private development actors and cross-sector partnerships. We will examine the evolving relationship between official aid donors and private non-profit and for-profit organizations. In Session IV participants will turn to the increasingly important nexus of climate assistance, poverty alleviation efforts and sustainable development. We will focus on key issues of financing and delivering climate-resilient assistance.

On the final day we will delve into the challenges of fragile state stabilization to ask ourselves what we really know about development in extremely insecure contexts and what those lessons mean for assistance reform. Lastly, we will probe the various roles of multilateral development institutions. Participants will discuss the disadvantages of and potential remedies for an increasingly fragmented system. We will also contemplate whether the next decade promises reinvigorated multilateralism given the roster of global challenges.

The following sections are only intended to provide participants with a broad sense of the subject matter for each plenary roundtable session. For each session, however, specialized briefs have been authored and background readings have been selected. Participants are kindly asked to review these materials in advance of the discussions.

SESSION I: AID EFFECTIVENESS AND DEVELOPMENT STRATEGIES
--

In order to more effectively support the broad range of development imperatives, including peacebuilding, the alleviation of poverty and human suffering, and the promotion of good governance and equitable economic growth, official assistance must link into broader development strategies. While many development experts and world leaders point toward the internationally agreed upon U.N. Millennium Development Goals as a blueprint for building better aid, others question whether the MDGs, which are widely interpreted through a service delivery lens, have conveyed the right framework for a development strategy oriented toward sustained outcomes. Reforms must be undertaken to redefine the modern role of aid in supporting development, including a reflection on the proper role of multilaterals and the balance of resources directed toward humanitarian assistance versus growth and good governance.

Within this discussion on the types of change management strategies necessary to guide substantial reforms, we must address key points of international leadership and coordination.

Key Questions:

- ❖ *How does aid effectiveness fit within broader concepts of development effectiveness? How can aid better catalyze development outcomes?*
- ❖ *Does the narrative for aid need to change, with traditional and non-traditional donors elevating the priority of sustainable development and growth within their overall assistance strategies? If so, can the current MDG framework—as it has been interpreted—accommodate such a narrative?*
- ❖ *Which development outcomes are we seeking from aid? How does this tie into a modernized strategy?*
- ❖ *How can accountable leadership at the international level be clarified and promoted to support effective aid and broader development outcomes?*

SESSION II: THE REVAMPING OF U.S. GLOBAL DEVELOPMENT EFFORTS

Efforts to retool the U.S. approach to development have proceeded through several different phases in the past decade. The creation of the President's Emergency Plan for AIDS Relief (PEPFAR) program and the Millennium Challenge Corporation (MCC) were efforts to pursue innovative initiatives through entirely separate aid institutions rather than the revitalization of a weakened U.S. Agency for International Development (USAID). Since the waning years of the Bush administration, there has been increased attention to the core challenge of aid coordination and leadership. The dialogue on development effectiveness has increasingly influenced the debate about U.S. reform such that coherence across the broader range of development policy instruments is now a key priority alongside rationalizing the fragmented U.S. aid architecture. A vibrant dialogue on how best to support development outcomes has led to the current political opportunity for real change. That window will close imminently, leaving room for only marginal improvements unless a decisive conclusion to the Obama administration's current policy reviews leads to rapid progress.

Fundamentally improvement of U.S. efforts requires certain key ingredients. Implementation of transformational support to developing countries requires innovative mechanisms, better alignment with host country needs, reduced program volatility, a clear sense of U.S. development policy, and stronger coordination and collaboration with other donors and private sector development partners. To get to that point, the U.S. system requires elevated leadership on development to consistently make the case for necessary resources and to present an informed, unified voice for development—both internally and externally. Given the requirements to be more effective, lasting reforms necessarily involve strategic review, structural reorganization and statutory modernization.

As the world's largest donor in an increasingly complex ecosystem of development actors, the U.S. plays a pivotal role. An overhauled U.S. approach to development, including perhaps a new multilateralism combined with more deliberately focused bilateral efforts, would likely have repercussions for the entire global system of support for development.

Key Questions

- ❖ *Are current reforms of U.S. global development efforts likely to be viewed as fundamental, marginal or somewhere in between in 10 years time?*
- ❖ *As the world's largest donor, should the U.S. actually seek to specialize? What specific comparative advantages does the U.S. possess in support of global development?*
- ❖ *If the U.S. narrows the focus of its development efforts to have greater impact, what must be prioritized or de-prioritized? How would this relate to a broader division of labor and coordination with other partners globally and within a developing country context?*
- ❖ *How should U.S. reforms translate into better implementation of development support?*
- ❖ *In what ways is the reform of U.S. systems and approaches important to the international dialogue on aid effectiveness and development?*

SESSION III: CROSS-SECTOR CONNECTIONS AND PUBLIC-PRIVATE LINKS

If assistance is to be meaningfully reformed, policymakers must critically reflect on the roles of non-governmental actors in aid and development. Levels of private investment in developing countries, as philanthropy or foreign direct investment, now dwarf official development assistance (ODA). Instead of simply viewing private development assistance as a channel for implementation or additional financing, aid needs to be reconceived to leverage private actors as potential strategic allies on issues as wide ranging as accountability, inclusive value chains, operational coordination, public messaging, and development research. A serious approach in this regard must place an emphasis on robust mechanisms for dividing labor, sharing knowledge and scaling innovation.

At an international level, the dialogue on aid and development effectiveness must evolve to include private development perspectives, but there are challenges to doing so in an efficient and representative manner. In addition to interacting with official development actors, private development actors interact with each other through coordination, collaboration and competition when it comes to research, programmatic efforts and strategic influence. To effectively engage with private development, official donors and developing country governments require differentiated strategies with nuanced understanding of the strategic and operational value of private partners across a range of categories from local to multinational and from non-profit to for-profit

Key Questions:

- ❖ *How can partnerships be used to make aid more effective and vice versa?*
- ❖ *Beyond aid, how can efforts to leverage the private sector and build stronger partnerships result in more effective support for sustainable development outcomes?*
- ❖ *What new policy approaches can be undertaken to encourage stronger partnerships and what obstacles stand in the way?*
- ❖ *What roles should private and non-governmental actors have in international dialogues on aid and development effectiveness? How can these evolve?*

- ❖ *What are the important distinctions to draw between private non-profit and for-profit organizations and among the many categories within each?*

SESSION IV: CLIMATE ASSISTANCE AND AID EFFECTIVENESS

Given estimates that developing countries will bear 75 percent to 80 percent of the costs associated with damages from climate change, there is a stark need for development assistance to place greater emphasis on climate adaptation and mitigation. However, this additional scope poses several challenges for the current aid architecture, and raises serious questions around traditional aid financing mechanisms and definitions of development effectiveness. To date, the international development community has insufficiently addressed key challenges to incorporating climate assistance into the aid reform agenda, including determining budget priorities, the limitations of the current aid architecture for financing adaptation, and possibilities for new approaches to filling the current financing resource gaps. A better articulation of the similarities and distinctions between climate assistance and traditional assistance will be key to the coherent expansion and modernizing of development efforts.

The lack of consensus on what constitutes “new and additional” funding or proper consideration of incremental costs raises challenges to effective financing. Adaptation aid that helps vulnerable countries cope with climate change is conceptually aligned with other resources dedicated to poverty reduction and conflict mitigation, and could be considered to be a portion of broader development assistance funding. Mitigation finance that helps to reduce emissions is a global public good, and does not fit so neatly into the development assistance framework. Each requires distinct financing strategies and programs, but they must be coordinated at the country and regional levels. With developing countries pushing for stricter benchmarks and developed countries hesitating to draw such firm distinctions between climate assistance and other development assistance, the governance issues of any additional funds are increasingly contentious.

The challenge of expanding financing for climate assistance is complicated by a lack of clarity around the best channels for delivering those funds. The increased importance of the World Bank and multilateral development banks in financing climate assistance has added layers of complexity and confusion as to which funds target which issues. Innovative financing approaches such as the Clean Development Mechanism and carbon markets hold potential for bolstering financing levels, but have noted shortcomings when it comes to reaching low-income countries.

Key Questions

- ❖ *How does climate assistance relate to traditional development assistance, and how can we deliver both most efficiently?*
- ❖ *What are the limitations of the current architecture for financing climate assistance, and how can they be addressed?*
- ❖ *What are the key challenges to identifying new and additional resources and incremental costs?*

- ❖ *What role can climate assistance play in mitigating conflict, and how does this relate to security as a transnational public good?*
- ❖ *How can budgets optimize the balance across adaptation and mitigation assistance? With limited resources, how should political leaders balance specific natural disaster response and risk reduction efforts as opposed to spending to mitigate the global phenomenon of climate change?*

<p style="text-align: center;">SESSION V: FRAGILE STATE STABILIZATION, CIVIL-MILITARY ROLES AND AID EFFECTIVENESS</p>
--

Development efforts in fragile states pose special challenges. Serving as a case in point, efforts in Afghanistan are a top priority for the international community where many donors and private international development actors are working with local government and civil society to tackle such challenges. Even beyond Afghanistan and current crises, there will continue to be a substantial number of insecure and fragile areas where effective international aid will be needed but difficult to provide. Within international discussions on aid and development effectiveness, there is a pressing need to evaluate certain basic assumptions about assistance in extremely insecure environments. We must examine whether such efforts are consistent or distinct from strategies in other development contexts. As a starting point, there must be a clear definition of what assistance objectives in these environments should be, and how those relate to operating strategies. We will discuss the extent to which it matters whether “development” is viewed by key actors as a tool to turn the tide of an insurgency, as a means of meeting basic needs and defending basic rights, or as a long-term end in its own right.

In particular, it is valuable to debate the proper roles of different civilian and military actors in stabilization efforts. International civilian and military efforts coincide significantly across a range of weak and fragile-state contexts, including those in which donor countries are a party to the local conflict, those that involve a heavy international peacekeeping presence, and those that rely upon military assets within the framework of civilian leadership. How do these distinctions affect the reform of development assistance?

Given the need for short-term emergency operations to fit within a longer-term strategy for stabilization and development, it is important to focus on approaches that support local participation, more coordinated systems for planning and managing projects, and accountability mechanisms for ensuring aid effectiveness. This must include a dialogue on the particular challenges of aid transparency and aid protection in unstable environments, as well as a greater focus on promoting ownership of development efforts by local government ministries, community organizations and security institutions.

Key Questions

- ❖ *What lessons about civilian and military roles in stabilization contexts should inform the international aid effectiveness dialogue?*
- ❖ *How can stabilization efforts be better aligned to local development priorities? How should development organizations navigate broad engagement with local civil society while also focusing on building state capacity?*
- ❖ *How can aid be held more accountable in fragile state contexts?*

- ❖ *Do aid activities actually promote stability in insecure environments? What do we actually know about development in fragile and insecure contexts, and how should this knowledge translate into differentiated strategies for development support?*

SESSION VI: MULTILATERALS AND DEVELOPMENT EFFECTIVENESS

In an increasingly complex aid arena, working through multilateral mechanisms offers significant costs and benefits. Although a significant amount of ODA disbursements still flow from multilaterals, the proliferation of such agencies has led to duplication of efforts and higher overhead costs while increasing challenges of governance and coordination. The 263 multilateral agencies funded by rich country governments seem to indicate a repeated desire to coordinate and combine efforts. In practice, such proliferation encourages stove piping of funds and an increasingly fragmented response to common global problems. Challenged in recent years by the emerging political power of developing nations and by waning support among key actors such as the U.S., the longstanding system of multilateral development institutions needs to be updated for the 21st century.

Issues of dividing labor, leveraging capital, and reforming governance structures must be covered within such a review, as well as the role multilaterals can play in supporting South-South knowledge exchanges. As new structures are considered, an emphasis should be placed on models that can better leverage resources for development, whether through more aggressive loan policies or through more effective facilitation of partnerships with private actors.

Key Questions

- ❖ *Are the existing multilaterals the right channels for addressing global public goods, and are they playing the right roles in terms of leveraging capital?*
- ❖ *How should we view the proliferation of multilateral organizations and vertical funds in the global aid architecture? What would a better division of labor look like?*
- ❖ *Is a review and rationalization of mandates necessary across multilateral organizations and initiatives? If so, by what mechanisms of assessment and even regulation could we prompt real changes to that architecture?*
- ❖ *How might the role of multilateral development organizations evolve with regard to knowledge exchange and standard setting?*