AIDING DEVELOPMENT

ASSISTANCE REFORM FOR THE 21ST CENTURY

BROOKINGS BLUM ROUNDTABLE 2010

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Global Economy and Development
at BROOKINGS

PHOTO: GARY EDENFIELD

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Propelled by the energy and talent of faculty and students committed to helping the nearly 3 billion people who live on less than $2 a day, the Blum Center for Developing Economies is focused on finding solutions to the most pressing needs of the poor. Spanning the University of California, Berkeley, Davis, and San Francisco, and the Lawrence Berkeley National Laboratory, Blum Center innovation teams are working to deliver safe water and sanitation solutions in eight countries, life-saving mobile services throughout Africa and Asia, and new energy-efficient technologies throughout the developing world. The Center's Global Poverty & Practice concentration is the fastest-growing undergraduate minor on the UC Berkeley campus, giving students the knowledge and real-world experience to become dynamic participants in the fight against poverty. In addition to choosing from a wide variety of new courses, students participate directly in poverty alleviation efforts in more than fifty developing countries.

The mission of the Aspen Institute is twofold: to foster values-based leadership, encouraging individuals to reflect on the ideals and ideas that define a good society; and to provide a neutral and balanced venue for discussing and acting on critical issues. The Institute does this primarily in four ways: seminars, young-leader fellowships around the globe, policy programs, and public conferences and events. The Institute is based in Washington; in Aspen, Colorado; and on the Wye River on Maryland's Eastern Shore. It also has an international network of partners.

Realizing Rights: The Ethical Globalization Initiative was founded in 2002 by Mary Robinson, former president of Ireland and former United Nations high commissioner for human rights. Its mission is to put human rights standards at the heart of global governance and policymaking and to ensure that the needs of the poorest and most vulnerable are addressed on the global stage. Always envisioned as a fixed-term initiative, Realizing Rights came to a planned end in December, 2010, but its approach, principles, and practices of human rights work will be carried forward by individuals, long-established institutions, and new entities.

Photo by Alex Irvin

Foreword

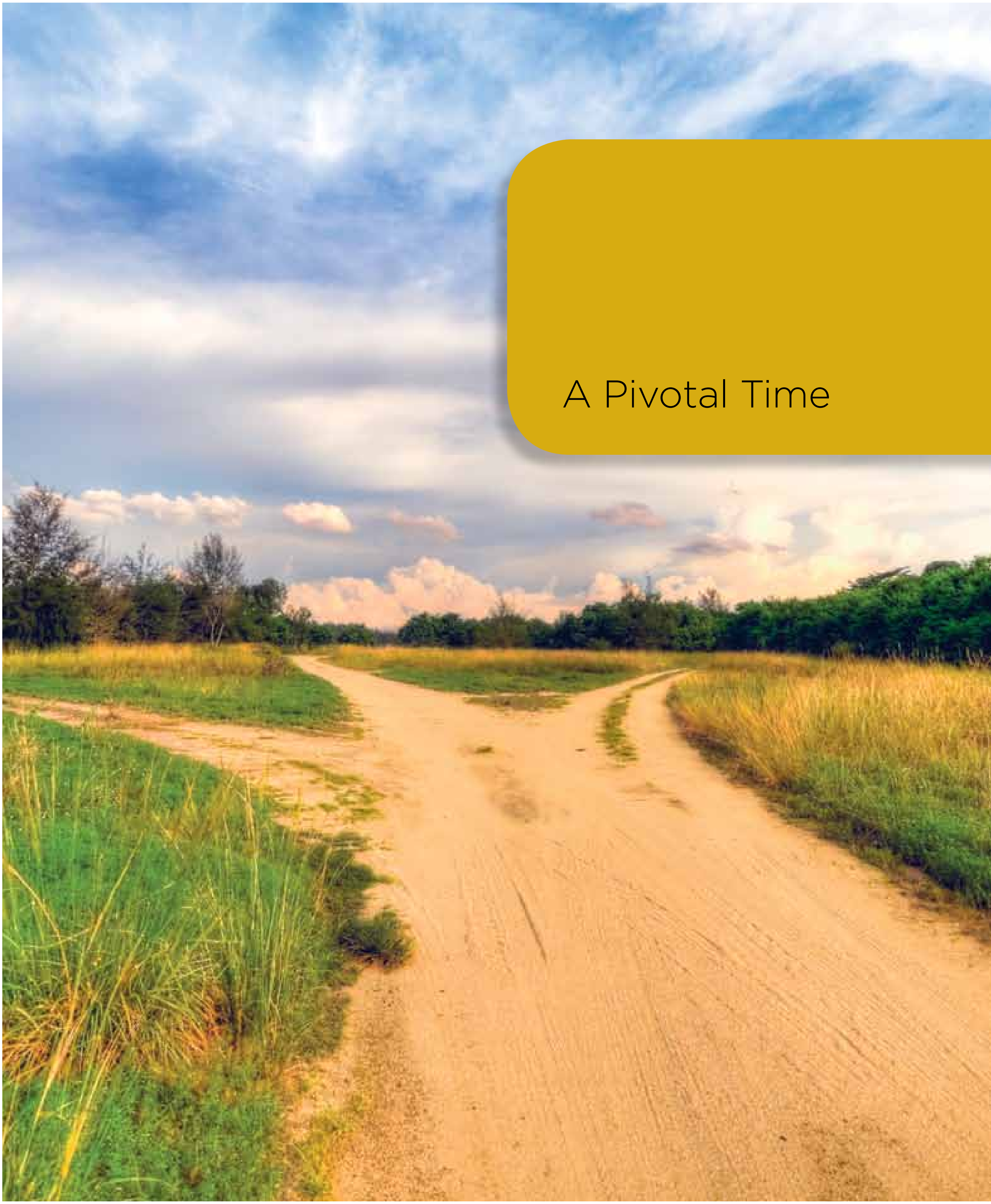
From August 4 to 6, 2010, roughly fifty preeminent U.S. and international policymakers, development practitioners, entrepreneurs, and thought leaders convened for the seventh annual Brookings Blum Roundtable in Aspen, Colorado, to exchange ideas and advance strategies for fundamentally improving international aid to support development. By considering how efforts to promote aid effectiveness can better reflect current realities and the anticipated shape of the global development agenda, participants sought to shape a common outlook on necessary changes in international aid. The roundtable also served as a prime opportunity for participants to discuss new approaches by the U.S. government within the broader shifting landscape for global development.

Rather than summarize the conference proceedings, this essay—like those from previous years—seeks to weave together the informed exchanges, fresh perspectives, and proposals that emerged during the three-day discussion. It also takes note of several developments since the conference, such as the 2010 United Nations High-Level Plenary Meeting on the Millennium Development Goals and the announcement of a new U.S. global development policy.

The roundtable was hosted by Richard C. Blum and Global Economy and Development at Brookings, with the support of honorary co-chairs Walter Isaacson of the Aspen Institute and Mary Robinson of Realizing Rights: The Ethical Globalization Initiative. Previous Brookings Blum roundtables have focused on America's role in the fight against global poverty (2004); the private sector's role in development (2005); the complex ties between poverty, insecurity, and conflict (2006); the expanding role of philanthropy and social enterprises in international development (2007); building climate change resilience in the developing world (2008); and tackling climate change in the midst of a global economic downturn (2009). Reports from those expert gatherings are available at www.brookings.edu/bbr, alongside *Making Development Aid More Effective,* this year's companion set of policy briefs providing timely and concise recommendations for global policymakers (for more information, see page 41).

Acknowledgments

The roundtable was made possible by a generous grant from Richard C. Blum, chairman of Blum Capital Partners and founder of the Blum Center for Developing Economies at the University of California, Berkeley. The roundtable's organizers extend special thanks and appreciation to Alexander Denny and Stephen Magneson for superb event planning and coordinating assistance and to John-Michael Arnold, Sandy Burke, Eileen Gallagher, Andrea Holcombe, Sun Kordel, Ravenna Martin, Sarah Puritz Milsom, Jane Nelson, Kristina Server, Mao-Lin Shen, Yinnie Tse, and Amy Wong of Brookings for ensuring its resounding success. Alexander Denny and Sarah Puritz Milsom additionally provided helpful assistance for this report. We also extend our appreciation to the William and Flora Hewlett Foundation, AusAID's Office of Development Effectiveness, and other donors for the broad support they have provided to the Brookings Institution's work on aid effectiveness and foreign assistance reform.



A Pivotal Time

Global development assistance efforts are experiencing a critical moment of change. This moment is not a week or month but a several-year period in which political scales are tipping, rationales and underlying assumptions are being reexamined, and new systems and approaches are emerging.

Collectively, the public and private institutions involved are working around the world to alleviate poverty and human suffering, support equitable economic growth, foster better governance, promote global public health, prevent conflict, and strengthen the resilience of communities vulnerable to external shocks. These development actors operate at the threshold of a significant inflection point as they seek to answer big questions, including:

- With many of the poorest developing countries not on track to meet most of the UN Millennium Development Goals (MDGs), what can be done to dramatically improve poverty reduction efforts focused on education, gender equality, nutrition, maternal mortality, and other key health concerns?
- How should development strategies incorporate climate resilience and low-carbon growth, and how should aid donors proceed with related financial support?
- How can aid be improved to help jump-start a process of self-sustaining economic growth?
- How can external organizations support the achievement of stability in fragile states?

The solutions to these problems require major shifts in the international dialogue on development and aid, followed by key architectural and operational changes across a wide range of actors. Large donors like the United States must lead by modeling and implementing fundamental reforms.

The factors precipitating the current moment for reform include the volume of aid, accountability pressures, aid sources, global security concerns, and the international dialogue on aid effectiveness, development strategies, and the MDGs.

During the first decade of the 21st century, international aid budgets expanded, with total net official development assistance from the members of the Development Assistance Committee of the Organization for Economic Cooperation and Development increasing from $79 billion in 2000 to $122 billion in 2008 (in constant 2008 dollars). Aid is now a $200 billion industry because it also includes private development assistance from nongovernmental organizations (NGOs), foundations, faith-based groups, and corporations. However, this expansion is threatened by the global financial and economic crisis, which, combined with record deficits, has resulted in a constrained budgetary environment among the world's biggest development donors. Whether this pressure results in retrenchment across the board, which would certainly set back the fight against poverty, the financial squeeze reinforces a preexisting trend toward greater measurement within the field of development aid to justify expenditures. This elevated interest in results and accountability is also tied to a push for improved transparency, benefiting aid donors and recipients alike.

At the same time, global security concerns are shaping the direction of development reforms. During the past twenty years, the international security dialogue has increasingly focused on the challenges of poor and fragile states, yet development donor institutions are still struggling to establish appropriate systems to effectively engage in peace building and to otherwise stanch transnational threats. Human survival, itself, has become a primary feature of international security and economic discussions as climate change has taken center stage, and this too has implications for new approaches to development assistance.

Alongside these factors, the network of development assistance actors has shifted to the point at which traditional official donors are reorienting their strategies and reassessing their own roles within the

Photo courtesy of Patrick Brown/Oxfam America

Saving for Change group in Tra Paing Thnan village, Kampot province, holds weekly meetings and has about 20 male and female members. Oxfam America's partner Save Cambodia's Wildlife organized this group June 2010.

Photo by Alex Irvin

"Our aim here is to engage in a dialogue that can help inform actionable strategies for development assistance. We will develop bold, concrete and realistic plans on how aid can best support development outcomes and innovative ways to ensure that U.S. development reform is driving more effective aid delivery by other international actors."

—Strobe Talbott
President, Brookings

broader landscape of interested transnational corporations, highly influential NGOs, and emerging market donor countries.

The recent United Nations summit reviewing progress toward the MDGs served to highlight the good that can stem from aid investments, but the real message was that the scope of the challenge posed by global poverty is still very large, necessitating not just more but also better development support. At the summit, U.S. president Barack Obama announced a new policy to enable America to more effectively support sustainable development outcomes around the world. And America is not alone in seeking to modernize its approach. Official aid actors have, in fact, convened high-level forums in recent years to reach international agreements, including the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. The combination of new global challenges, an expanding ecosystem of development players, and deeply entrenched obstacles to systemic change makes real reform in the United States and among international aid actors both difficult and important.

Although abundant evidence demonstrates that aid can work at a microeconomic level, there is only a tenuous link between total aid and macroeconomic growth. This leaves aid prone to dismissal by critics. A key problem has been that past aid efforts were more often driven by purely political concerns and not by a clear focus on development results. Aid that is truly focused on—and measured against—development outcomes can play a supportive role for national policies, helping to lift up the poor and facilitate the transition to self-sustaining growth. Such aid must also fit like a puzzle piece within a set of broader coherent policies aimed at supporting development. During this pivotal time when aid and development policies are shifting under pressure from many angles, development actors must focus on improving the quality of the aid system through three main areas for reform: clear mandates, a better architecture, and partnership and leadership.

Photo by Alex Irvin

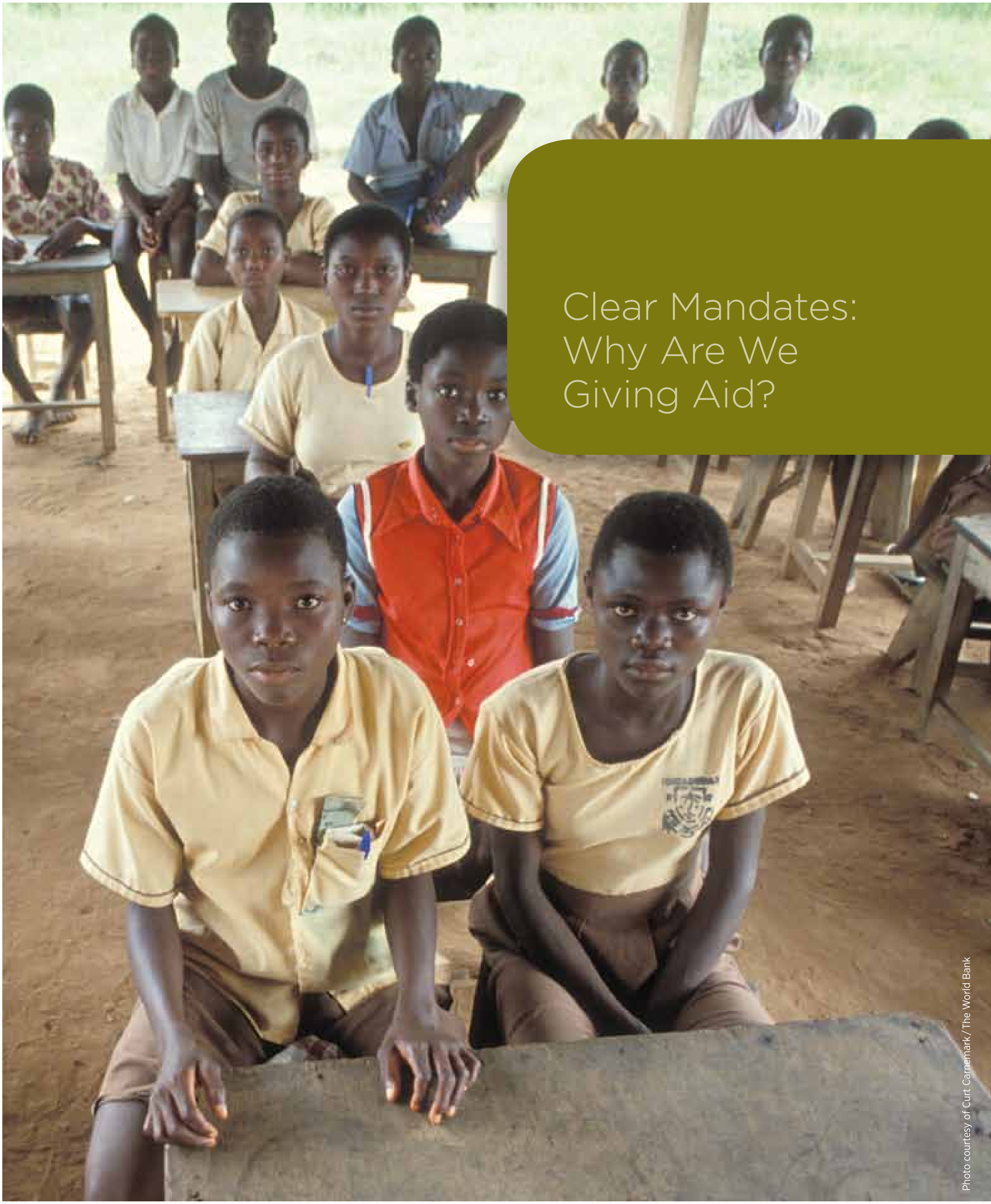
"We're seeking nothing less than to be able to support the transformational change countries want to make which will offer their people hope and opportunity."

—Helen Clark
Administrator, United Nations Development Programme; Former Prime Minister of New Zealand

Photo by Alex Irvin

"We need to shift to welcome a new conversation about aid, not from the viewpoint of 'what can we do for you?' but 'what can we do together from the new landscape of opportunities?' There is now a critical mass of mature, reforming countries in Africa; rather than fix the system of the past, we must imagine a system of the future."

—Donald Kaberuka
President, African Development Bank



Clear Mandates: Why Are We Giving Aid?

Photo courtesy of Curt Carnemark / The World Bank

A key factor in making aid more effective is a clear understanding of its purpose. The whole notion of improving measurement systems to track results is rather dependent on a good sense of what aid is meant to achieve.

There have always been multiple rationales for the provision of development assistance, but there has not always been such widespread use of related analytical tools, including real-time tracking of aid delivery, comparative measures of governance and transparency, and sophisticated polling of the public in donor and recipient populations alike. Today's environment of improved information capture and transfer enables greater potential accountability, leading to greater demand for actual accountability. First, however, we must be able to answer the question: Accountability for what? A discussion of development aid's raison d'être includes an exploration of motives—aid as charity, compensation, investment, and influence—as well as goals.

Citizens in donor nations often associate their aid to developing countries with their core belief that it is right to help the needy and demonstrate goodwill toward humanity—whether their aid is provided through private philanthropy or government assistance programs. In this context, aid is often considered a gift or a way of acting on fundamental values, particularly religious tenets, humanitarian principles, and universal rights. This charity approach, which is frequently interpreted as relief and "development for development's sake," can lend itself to the measurement of results—for example, lives saved, girls educated—but it is not associated with returns to the donor beyond the fulfillment of moral commitments and the normal rewards for altruism.

Alternatively, financial flows from developed countries to developing countries can be viewed through the lens of compensation. This lens potentially applies to postcolonial relationships or to situations of military occupation, but it is most commonly applied in international dialogue connected to climate change and the concept of global public goods. The World Bank estimates that developing countries will bear between 75 and 80 percent of the costs of damages associated with climate change,[1] and poor countries are already demonstrating their particular vulnerability to the increasing number and severity of extreme weather events such as floods and droughts. From the perspective of many developing countries, financial support from industrial donor countries to address the high costs of adapting to a changed climate and mitigating future damage should not even fall under the label of "aid" but should be considered compensation for the damage caused by the historic greenhouse gas emissions of developed countries. With only one-sixth of the world's population, high-income countries have historically contributed a disproportionate share of global carbon emissions, accounting for nearly two-thirds of the greenhouse gases in the atmosphere. Today, middle-income countries, and even some low-income countries, are increasingly contributing to the problem of global warming, and important burden-sharing issues must be resolved. But in per capita terms, the advanced countries are of course still by far the major emitters.

Development assistance is also viewed as one instrument in a range of policy tools that can help yield a return on investment in the form of economic security and global stability. To draw upon the example of climate change finance in a different way, an investment approach could interpret forest conservation assistance and support for clean energy in developing countries as activities with direct benefits to donors living on the other side of the planet measured in the atmospheric concentration of carbon dioxide. In the same vein, efforts to spur the next generation of emerging market economies can represent an investment in diversified trading

Photo by Sandy Burke

"We need to ask ourselves, 'Why do we give aid? Are we doing it for the singular purpose of helping the poorest of the poor, or is it also to help create stability in a particular country?' I think in the end, the question is, 'What is aid about?' I support a human rights-based approach because our goal should be to enable the creation of a middle class that can establish vibrant democracy, which ultimately is the best path to peace and stability."

—Madeleine Albright
U.S. Secretary of State, 1997–2001

Photo by Alex Irvin

"Aid is an intensely political act. My experience in the countries that I've worked in is that aid is 10 percent technical and 90 percent political. This is why better leadership in local management is crucial to success, because it's about how politics works on the ground."

—John Davidson
Assistant Director General, AusAID

partners and in strong, sustainable, and balanced global growth—the new mantra of the Group of Twenty. Aid programs targeting pandemic diseases and the capacity of developing country systems to execute quality surveillance, treatment, and prevention can be viewed as an investment in the productivity of those countries and in global public health. On the harder, military security side of the equation, civilian conflict prevention and conflict transformation efforts in fragile states are frequently touted as cost-effective investments in comparison with military intervention and the costs of either peace enforcement or war.

Assistance that is labeled development aid is also used by some governments purely as a means of geopolitical influence. Although such influence is also intended to benefit the donor's economic and security aims, what distinguishes this approach from a true development investment approach is that, in this form, aid is treated wholly as an instrument of political leverage, and development outcomes are neither the end nor the means to the end. For example, much of the assistance provided around the world by the United States during the Cold War was aimed at shaping spheres of influence without much regard for actual development. Those outlays can be contrasted with the equally influence-oriented Marshall Plan, which was specifically conceived as development assistance in the form of investment. In today's terms, China's rapidly increasing development assistance to Africa is often interpreted through the lens of geopolitical influence, as is the resultant alarm voiced by the traditional major donors to Africa. In fact, China has openly used its aid to advance its "one China" ambitions.

From the standpoint of donor constituents and recipient stakeholders, motives can shape the level of enthusiasm and commitment for development support. Although motives matter politically, in many instances they may seem programmatically irrelevant. After all, efforts to support adaptation to climate change may be based on benevolence, compensation, or calculating investment to guard against negative economic and social effects; but the tangible projects carried out in a given country do not substantively change as a result. On the other hand, the geographic footprint of such programs across developing countries would presumably be more evenly spread under a fairness-oriented compensation approach and more strategically concentrated under an invest-

ment approach. To take a different example, assistance provided primarily to gain political leverage with a developing country's government can look very different from assistance provided to that same country to protect its citizens' human rights and dignity. So, though charity, compensation, investment, and influence may capture the motives for providing development assistance, they link to goals in interesting and important ways.

How do different rationales translate into specific objectives? A 2007 survey of public opinion by the German Marshall Fund found that 49 percent of Americans and 59 percent of Europeans say that alleviating poverty is a leading reason to give aid to poor countries. Among both populations, this response was the most popular answer in the survey, ranking above other choices such as fighting health problems, supporting economic growth, contributing to global stability, preventing breeding grounds for terrorism, and encouraging democracy. Gaining political allies was very clearly the least-popular reason for giving aid.

Should development assistance be primarily focused on life-saving humanitarian relief? On rule-of-law and democratic governance? On environmental sustainability? On areas of economic opportunity? On areas of instability? If the purpose of financial and technical assistance to poor countries is mostly viewed through the prism of helping to save the planet from climatic ruin, for example, then it may make sense to focus aid on cleaner energy for countries with the largest populations and on conservation for the regions with the largest forests. Alternatively, development assistance can aim to propel well-governed low-income economies across the middle-income threshold. It could instead focus on the weakest states and on eradicating the most extreme forms of poverty and hunger worldwide. The list of potential objectives is large, and an efficient focus is often challenged by the need for effective holistic approaches.

The UN Millennium Development Goals represent the broadest officially agreed-upon objectives among public and private sector development actors. Ten years into their fifteen-year time line, these goals focus on poverty and hunger, education, gender equality, health, the environment, and partnerships. The goals and their associated targets, however, have largely been interpreted in a way that lends itself to a service delivery model of aid. As a result, there has been pushback, as

Photo by Alex Irvin

"The core discussion we need to have is how to relate aid and the emotions that come from an aid strategy to a development strategy which should be sustainable. If we want progress to be sustainable, we have to ensure a greater correlation between aid and economic growth."

—Walter Isaacson
President and Chief Executive Officer, Aspen Institute

Photo courtesy of Acumen Fund

evidenced at the 2010 MDG review summit, to ensure that the big effort associated with the MDGs is oriented toward improving and even transforming developing countries' systems to ensure sustainability. It is in this context that the focus of the MDGs has been criticized for not adequately promoting economic growth, good governance, and climate change mitigation and adaptation.

The two most prominent international agreements focused on aid and aid effectiveness during the past decade, the MDGs and the foundational Paris Declaration on Aid Effectiveness, have largely overlooked key issues relevant to the mandate for and objectives of aid, including the rising challenges presented by climate change and fragile states. These two topics and their relationships to development assistance reform therefore particularly deserve closer attention.

Changing Climate, Changing Aid

Assistance reform for the 21st century is inextricably linked to the challenge already poised to define this era: the global response to climate change. It is essential to incorporate climate resilience and low-carbon growth into development strategies. Some leading thinkers operating at the nexus of these issues, such as Mary Robinson, have made a point of noting that an explicit emphasis on access to energy is critically missing from the MDGs, even though it bridges responsible growth and enhanced productivity for poor people. Although the recent MDG review summit statement made a modest reference to energy access, embedded within a range of topics important to the goal of sustainable development, this is one strategic node common to both climate change and development policy that requires greater focus as a target of concerted effort.

It is difficult to overstate the impact on financial flows from advanced economies to developing ones as development assistance continues to take climate change into account on an increasingly larger scale. Using the target that global average temperature increases should not exceed 2 degrees Celsius, the World Bank estimates that annual incremental mitigation costs in developing countries could be between \$140 and \$175 billion a year during the next twenty years, with associated total investment financing needs of anywhere between \$265 and \$565 billion. It also estimates that

adaptation assistance to protect the world's poorest people from the most catastrophic climate change effects will cost anywhere from $30 to $100 billion a year from 2010 to 2050.[2] Current financing commitments by developed countries to assist developing countries with mitigation and adaptation are inadequate relative to these estimated costs. In comparison with a total aid industry estimated at $200 billion annually (including public and private sources), the anticipated needs for the largely additional mandates of climate change adaptation and mitigation are unprecedented in scale.

As part of the 2009 Copenhagen Accord, many developed countries pledged to provide new and additional resources of $30 billion for "fast-start finance" for 2010–12 that will be used equally for adaptation and mitigation efforts. The accord also refers to a "Copenhagen Green Climate Fund," which includes a loose commitment from developed countries to mobilize $100 billion a year by 2020. This commitment demonstrated progress in international negotiations and shared recognition of a resource gap. However, it lacked crucial details, ranging from what it means to "mobilize" the sum in terms of sources and fund types to how the funds will be prioritized, governed, and disbursed. In an effort to report funding strategies to meet this goal, in February 2010, the UN secretary-general established the High-Level Advisory Group on Climate Change Financing. The group concluded that raising $100 billion a year by 2020 was "challenging but feasible." But the group was careful not to make specific recommendations and instead reported on likely options, including revenue from greenhouse gas emissions allowances, direct taxes, taxes on international transportation fuels, and private investment enhanced by public guarantees.[3]

As noted by Al Gore and echoed by others, the financing gap between $30 billion in fast-start finance and $100 billion for a fund by 2020 demands urgent focus, necessitating serious consideration of creative funding strategies. Conventional public financing will be insufficient to close the gap, and mechanisms based on carbon markets will be crucial. Innovative approaches to mitigation projects involving developing countries, such as the prominent Clean Development Mechanism, must efficiently improve the low-carbon growth path for a broader range of poor countries rather than steering carbon sales revenues disproportionately to emerg-

Photo by Alex Irvin

"The missing Millennium Development Goal is access to energy. We made a huge mistake 10 years ago in not understanding that if we're really talking about development then it has to be based on the productivity of poor people- and that means access to energy. Part of the narrative, and part of what we must frame as a new aid architecture, is the need in both developed and developing countries to move to a model of low-carbon growth."

—Mary Robinson
President, Realizing Rights: The Ethical Globalization Initiative; Former President of Ireland

Photo by Alex Irvin

"We need to encourage a new vision of sustainable capitalism, one that will move people of their own volition to remake industry with renewable sources of energy. All of our efforts in sustainable development, conflict resolution and the creation of democracies will be easier if people believe in the future they are working towards."

—Al Gore
Chairman, Alliance for Climate Protection; Former Vice President of the United States

Photo by Alex Irvin

"There's an inherent tension in U.S. policy objectives in many unstable countries between fighting immediate security threats, and the longer-term objectives of helping to build functioning states that won't be breeding grounds for terrorism and other threats in the future. A new strategic framework is needed to reconcile these tensions so that development and security teams are mutually reinforcing in the field."

—David Barno
Lieutenant General, USA (Ret.), Senior Advisor and Senior Fellow, Center for a New American Security

ing market economies such as China, India, and Brazil.[4]

Adding to the complexity of the climate challenge is the fact that mitigation and adaptation efforts face thorny accounting issues. Although commitments of climate change assistance are meant to provide new and additional resources, there is a real concern that existing efforts will be recast or that new assistance will come at the expense of other needed development investments. In the case of the international fast-start financing pledge, no baseline was set, rendering questionable donors' claims of "new and additional" support. Beyond macro funding levels, differences between activities are also difficult to discern. For adaptation, the distinction is certainly blurred at the project level, because adaptation measures often overlap with development. Take, for example, climate-resilient crops and infrastructure projects, efficient agricultural irrigation, and natural disaster early warning systems. To what extent can the specific climate change component of such work be teased out? Mitigation even more clearly involves the delivery of benefits above and beyond traditional development outcomes, but here, too, the distinctions can be challenging to quantify. For example, in building a coal-fired power plant, to what extent are measures aimed at increased efficiency counted as part of a standard growth effort or a globally minded drive to minimize greenhouse gases? These accounting issues are critical to monitoring "aid diversion" and the impact of climate change assistance on broader development assistance. Regardless of any distinctions between climate change assistance and other types of development assistance, financing for all such assistance must be measurable, reportable, and verifiable. To this end, consistent international standards must be strengthened.

Although accounting concerns focus on distinctions, integration is also a major issue. Funding for climate change assistance may flow from different sources relative to broader development assistance, but ultimately such efforts must be integrated into national programs for poverty reduction and growth. At the very least, adaptation measures must not inadvertently hinder development, and development programs must not increase vulnerability to climate change. Moreover, integrated programming can be more efficient. Major infrastructure projects that fail to integrate climate resilience plans are of particular concern, and more stringent requirements should ensure that this does not happen.

After Copenhagen and as demonstrated in Cancún, near-term progress on climate change action is far less likely to come in the form of a comprehensive international agreement. As the international dialogue within the UN Framework Convention on Climate Change (UNFCC) process takes more modest steps to meet the climate change challenge—including cooperating to act on sector-specific opportunities for emissions reduction while simultaneously shaping a new narrative for future coordinated climate change policies—both developed and developing countries have important tasks to pursue.

The "Cancún Agreements" coming out of the 16th session of the conference of the parties to the UNFCC have helped to move progress forward on this challenge. Most of the agreements set a framework but do not go so far as to obligate countries to specific action. Key highlights include the establishment of a new Green Climate Fund, a Technology Mechanism and an Adaptation Committee, as well as a formal process for reporting emissions mitigation commitments. The key question of burden sharing, among others, was not addressed in Cancún; however, the progress has reassured governments that the UN system remains a useful venue for international cooperation on climate change. The next meeting will be held in Durban, South Africa at the end of 2011, by which many of these crucial details will need to be hammered out. It is essential that this process include an innovative approach that taps creative ideas from developed and developing countries alike, as well as from both the public and the private sectors.

Photo courtesy of USAID Afghanistan

The Toughest Environments: Crisis, Fragility, and Instability

A host of challenges to the broader reform of development assistance are tied to contexts of crisis, fragility, and instability, which often prove the toughest environments in which to promote development. Analysts who subscribe to a narrower definition of development see crisis-oriented aid as separate from true development support, but conflict resolution and disaster recovery are essential to progress, and how aid is used in such contexts matters a great deal for both near-term and long-term outcomes. Still others may accept the close connection between crisis response, peace building, and longer-term development in fragile, conflict-prone states but contend that situations like those in Afghanistan, Pakistan, and Iraq differ so vastly from each other and from development support efforts in more stable countries that they are outliers to the systemic policies, processes, and programs in need of reform.

As different as the international aid efforts in these three high-profile conflict settings may be from development support efforts in many more countries as diverse as Ghana, Moldova, Nicaragua, and Vietnam, the sheer level of resource concentration indicates that such stabilization efforts are worth extra attention in the ongoing dialogue on reforming development assistance. The U.S. government, the world's largest single aid donor, spends roughly a quarter of its bilateral development assistance on Afghanistan, Pakistan, and Iraq alone, while stationing nearly 10 percent of its development professionals in these same three countries.[5]

As we look toward the future of aid, even if international efforts in Afghanistan and Iraq are characterized by an intensity and resource scale better understood as the exception rather than the rule, support in fragile states warrants greater attention in reform discussions. Even without consideration of the interventions in Iraq and Afghanistan, the past decade's increases in total aid from all donors that belong to the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) have overwhelmingly focused on the set of states defined as either fragile or failing, including Haiti, Kyrgyzstan, Somalia, Sudan, Yemen, and roughly thirty to forty others. A comparison of the period 1995–98 with 2005–8 shows that as average net official development assistance (ODA) from DAC members to developing countries rose significantly, from $73 billion to $119 billion, fragile states in particular experienced a 135 percent increase in aid per capita.[6] When this figure is discounted to exclude Iraq and Afghanistan, the data show that per capita aid to fragile states still rose 53 percent. When compared with the change in aid to nonfragile states, which actually experienced a 2 percent loss in aid per capita across the same periods (or a meager 1.5 percent gain, discounting the large populations of China and India), the difference is stark. Aid to fragile states now accounts for more than 30 percent of all ODA, and there is little reason to suspect

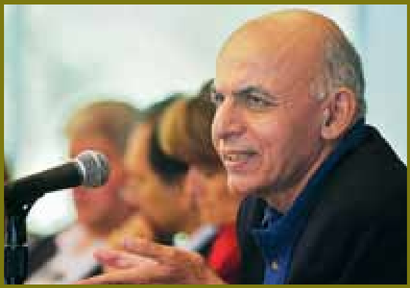


Photo by Alex Irvin

"The design of aid is crucial for making it useful. The current system of aid is incapable of coordinating itself because of the NGO-contractor security model. Unless that model is tackled and host-country budgets are the central mechanism for funds and policy making, aid will be constrained."

—Ashraf Ghani
Chairman, Institute for State Effectiveness; Former Minister of Finance of Afghanistan

Photo by Alex Irvin

"There is a danger in having all of our long-term activities in fragile states so embedded in military strategy. By definition, development has to be about country-ownership. That is difficult to do with a military approach. Diplomacy, defense and development do need to be coordinated, but differentiated."

—Nancy Lindborg
President, Mercy Corps

that this proportional shift in resources over time will be reversed. The United States has increased the level of resources for what it now calls "frontline states," and the United Kingdom recently committed to spending a significantly greater proportion of its development assistance on fragile and conflict-affected states.[7] International attention to countries experiencing violent conflict has also risen according to other measures. For instance, the number of UN peacekeeping personnel deployed has increased eightfold since 1999, now reaching its highest level ever at 116,000.[8]

The problems faced by populations in weak and failing states are not new, but the increased attention from aid donors reflects greater awareness of the drag that fragility imposes on global development and the role it can play in transnational threats. Conflict-affected and fragile states account for a third of all people living in extreme poverty but only a fifth of the population of developing countries. Also, countries affected by fragility and conflict are the most off track to reach the MDGs. In terms of threats, the global activities of Al Qaeda and its extremist affiliates—particularly the 9/11 terrorist attacks against the United States—elevated an already-growing strain of analysis on instability to the forefront of international security policy, namely, that fragile and failing states pose serious challenges to leading developed countries and international order. These threats could be active, as in the case of terrorism and piracy, or they could be passive, as with negligent disease surveillance. In either case, state weakness lies at the center of the problem. In the context of war-torn societies, this analysis has led to the understanding that peace building is inherently linked to state building because fragile states with weak institutions are prone to organized violence, which can lead to widespread armed conflict. Large-scale humanitarian disasters also have a connection to weak states. In 2010 alone, the divergent outcomes experienced by Haiti and Chile in the face of enormous earthquakes demonstrate the difference that a country's level of development and governance systems can make.

The contexts for crisis-oriented foreign assistance include natural disasters and conflict-affected countries. Too often, both are applicable, as demonstrated by Pakistan and Haiti in 2010 and by Indonesia and Sri Lanka after the Indian Ocean tsunami hit in late 2004. Such assistance is further complicated by the involvement of external militaries. Where military logistical capabilities are uniquely useful and where the military provision of ambient security is necessary for international aid efforts, military and civilian organizations must carefully distinguish their roles as they interact with each other and with the beneficiaries of that assistance. Serious questions abound in these situations as to how and why militaries should support the delivery of aid. For example, "quick impact" projects embedded in a military strategy, or executed by nonexperts, are too often unsustainable or marred by unintended negative effects.[9] And there is little empirical evidence to support the concept that aid in insecure environments actually leads to stability. Assistance in "opposed development" environments, however, is sure to continue, and the thorny questions of who has the capability, authority, and responsibility to lead those efforts remain critical issues for reform.

Initiatives to make official aid more effective have begun to catch on to the relative importance of challenges stemming from fragility and conflict. This is reflected in donor country struggles—including in the United States, the United Kingdom, Canada, France, Australia, Sweden, and Germany—to better apply lessons from conflict prevention and response through specialized organizations within foreign ministries and development agencies and through whole-of-government coordination efforts.[10]

Increased recognition is also reflected in international processes. The United Nations has a wide-ranging agenda to strengthen its support for peace-building efforts. In 2007, the OECD adopted a set of "Principles for Good International Engagement in Fragile States and Situations," which then shaped the 2008 Accra Agenda for Action. Donor adherence to these principles has since been evaluated in studies of fragile countries.[11] The Accra Agenda in turn launched the International Dialogue on Peacebuilding and State Building, which is providing a platform for fragile and conflict-affected governments to help shape international aid effectiveness discussions by identifying common goals, approaches, and lessons in these contexts. Shaped by the g7+, a new grouping of fragile and conflict-affected countries and regions,[12] this process is meant to feed into the 2011 High-Level Forum on Aid Effectiveness in Busan, South Korea. Shining a light on many of the same issues, the *World Bank's World Development Report 2011* is also focusing on conflict and development.[13]

Despite national and international efforts to more effectively respond to and reduce conflict and fragility, concerted attention to systemic improvements in this area still seems low and slow relative to resource infusions.

Accept Complexity, Not Ambiguity

The discussions of climate change and fragile states above demonstrate just two of the many different frames for aid. These various aims present trade-offs and daunting decisions. For example, to what extent should investments in fragile states come at the expense of investments in well-governed states, given all the challenges? Or how should political leaders balance responses to natural disasters or efforts to reduce specific disaster risks with spending to mitigate the global phenomenon of climate change?

For all their benefits in mobilizing attention and resources, the MDGs have not quite captured the aims of development partners into a coherent strategy for pursuing sustainable growth while eradicating extreme poverty. Perhaps this is too much to ask. Beyond an often-perfunctory acknowledgment that the MDGs are worth supporting in an accelerated fashion, given that most developing countries are off track, international development actors are not truly reading from the same sheet of music. Although lists of objectives can and should be whittled down for many individual donor agencies, the reality is that the complex jumble of public and private aid organizations of all shapes and sizes will continue to work on a variety of missions for a variety of reasons. This necessitates a certain level of comfort with multiple mandates, but acceptance of complexity should not be equated with resignation to ambiguity or even confusion.

Although motives and goals are sure to vary depending on the particular donor and development partner organization, there is a consensus among development experts worldwide that sustainability must be taken seriously. Development assistance of all kinds should consider long-term effects and advance sustainable outcomes. This has implications for metrics, which should still vary depending on the context. For example, measures of crisis-oriented ODA in fragile states should identify how that assistance supports the legitimacy and capacity of the state, whereas in better-governed countries measures of economic growth may be more relevant. This results-focused approach to development aid across specific goals should also necessarily exclude any assistance provided purely as a means of political leverage and without regard for development outcomes. Assistance meeting that description should not be measured against development outcomes and must not be conflated with development efforts.

Goals may differ across organizations and contexts, but development assistance of any stripe will be more effective if its goals are explicit. A diverse set of aid mandates can dilute development efforts, but the prospect of conflicting goals among donors—and often within the institutions of a single donor—is of even greater concern. The keys to imposing greater clarity on the crowded set of activities that fall under development assistance include transparency, a differentiated approach for each recipient country, and a differentiated role for major development donor institutions. Donors must consistently be able to communicate what they are trying to do, with what resources, during what period, and with whom.

Photo by Alex Irvin

"Measurement is critical, but you have to know what you're measuring. To have clarity, coordination and flexibility in complex arenas, you have to know the hierarchy of what you're trying to achieve."

—John Podesta
President and Chief Executive Officer, Center for American Progress

A Better Official Architecture

The proliferation of official aid channels represents one of the major challenges to answering a simple question: "Who is doing what where?"

Although this proliferation could be interpreted as resulting from a healthy and growing interest in development assistance from many angles, the reality is that the creation of new institutions is often an outcome of the perceived failings of existing institutions or of the political advantages of being seen to start a new initiative. Unless existing institutions are streamlined or rethink their mandates, the result will be an increasingly diffuse set of governmental and intergovernmental donor institutions with overlapping and competing responsibilities and accountabilities that pose serious challenges to achieving development outcomes. Development support efforts need a better official architecture, which must be defined by stronger coordination across aid institutions and greater policy coherence.

Proliferation and Fragmentation

Aid systems are currently so fragmented that efforts to draft organizational and programmatic schematics constitute an assault on reason. Aid from official sources alone flows through 263 multilateral agencies, 197 bilateral agencies, and 42 donor countries. With an increasingly large number of donor–recipient relationships, development finance flows suffer from deadweight losses incurred through high transaction costs, estimated at $5 billion a year by the OECD.[14] For the governing officials of recipient countries, contending with this diffusion of official actors can seem less like a time-tested bargain and more like a time-consuming barrage. It is not surprising that some developing country finance ministries, including those in Ghana, Kenya, and Zambia, now impose protocols that circumscribe meetings with donors to certain seasons of the year so as to allow time in their schedules for other responsibilities.

The increase in the number of governmental and intergovernmental aid actors is primarily the result of two factors: the inception of new official donors, and institutional fragmentation within large donors. First, in addition to the traditional group of rich countries that support bilateral and multilateral assistance, a host of middle-income official donors of foreign aid have emerged as increasingly influential (see page 18). Along with the rise of South Korea as a donor and its recent addition to the membership of the OECD's DAC, at least twenty-nine non-DAC countries now give significant amounts of development assistance. Total

Photo by Alex Irvin

"The G-20's Working Group on Development offers a more comprehensive view of development, and one that is more relevant to a diverse group of emerging and developing countries. The G-20 should play a leading role in addressing global development issues, and should shape a multiyear plan to assist low-income countries to achieve their maximum growth potential."

—**Kang-ho Park**
Former Director-General for Development Cooperation, Ministry of Foreign Affairs and Trade, Republic of Korea

Rising South–South Cooperation

South–South cooperation is shifting the concept of what it means to support economic development. Bolstered by the dynamism of their economies and rapid industrialization, a corresponding increase in South–South trade, and the emergence of strong private business groups, this cooperation is an emerging yet powerful game changer in global development.

New development partners are building South–South cooperation on a foundation unsaddled by the historical relationships of colonialism. They prefer not to be seen as "donors," and they consider their development assistance to be a form of economic and technical cooperation that mutually benefits both giving and recipient countries. This philosophy leads to approaches toward aid that differ from the current traditional paradigm.

First, it becomes natural for new development partners to forge a close link between aid and broader economic investment and trade relationships. Although DAC donors today scrupulously provide aid in the form of grants or highly concessional credits to avoid past mistakes of loading poor countries with excessive debt, new development partners combine aid flows and commercial investments in opaque, hybrid financing schemes, often protecting their commercial interests by using access to natural resources as collateral.

Second, new development partners do not subscribe to the need to untie their cooperation and permit competitive tendering of contracts. They see the award of contracts to firms from their own countries as a way of guaranteeing mutual benefit from the relationship. At the same time, recipient partners often appreciate the responsiveness to their project requests and the speed of implementation that come when aid is founded on political agreements at the highest level between governments. New development partners also have development experience and technological solutions potentially better suited to the development context faced by today's poor countries.

Third and last, the principle of mutual benefit lends itself to an avoidance of conditionality or other "interference" in the development strategies of partners—something appreciated by the governments in power but not always more broadly by people in the recipient country.

The fear is that new development partners will commit the same mistakes as traditional donors. In fact, the tension that arises between new development partners and traditional donors hinges on differing interpretations of the development record. Traditional donors have codified a significant body of experience into norms and standards for better development assistance—including a focus on human rights, good governance, the rule of law, avoidance of debt, support for voices beyond the recipient country's government, and building the capacity of systems and institutions beyond a project. But new partners are less willing to pursue development in the same way because they see the traditional model as having failed to deliver results, as too slow, and as open to the insertion of irrelevant, politically motivated criteria.

Ultimately, the new development partners are far more reliant on the performance of the recipient country's government. If it takes its development responsibilities seriously—with solid plans, internal consultations, and finances—the strategy may work well. If not, there are few safeguards to prevent abuse and negative consequences.

ODA from non-DAC countries grew from $1 billion in 1995 to $14.5 billion in 2008,[15] with noteworthy contributions from a broad range of actors, including rising economic powers such as China, India, and Brazil; oil-rich Arab states; and other countries such as Turkey and Poland.[16] Unlike traditional donors, many of these countries are still dealing with development challenges themselves, and they draw on their own experiences as the basis for their assistance. Although these governments give different amounts and for different purposes, their collective entrance into the donor community brings new challenges for coordinating assistance and blurs the idea of foreign assistance as the transfer of resources from developed to developing nations.

Second, traditional donor bureaucracies have increasingly subdivided their efforts by channeling new initiatives through new institutions, often with different governing structures or approaches that set them apart. This has been evident within both bilateral and multilateral donor bureaucracies.

The U.S. government's approach in recent years is a good example of fragmentation on the bilateral side. Its AIDS relief initiative and the Millennium Challenge Corporation (MCC) were established apart from the U.S. Agency for International Development (USAID) in 2003 and 2004, respectively. By 2007 and 2008, these initiatives accounted for nearly 30 percent of U.S. ODA. USAID was kept at a distance because it was seen as a sclerotic agency bound in red tape and constrained by a morass of special directives and earmarks. Congress could legislatively treat new institutions separately from the rest of U.S. development assistance, and new institutions could be branded differently so as not to be saddled by the negative aspects of USAID's reputation.

The Office of the Global AIDS Coordinator, established at the State Department, oversees more than $5.5 billion in annual funding for the President's Emergency Plan for AIDS Relief (PEPFAR). Although PEPFAR has largely been implemented at the field level by USAID missions, much of the responsibility for field implementation has also rested with the Centers for Disease Control and Prevention, a separate agency under the Department of Health and Human Services that experienced dramatic growth in its international portfolio as a result of the presidential initiative.[17] Structural changes have spillover effects on policy, and it is not unreasonable to suggest that international public health has increasingly been treated in the United States as a set of policy issues apart from the rest of international development as a result of these shifts.

As separate organizations, both PEPFAR and the MCC could be managed differently than USAID. With the initial flexibility of newly chartered organizations, they could develop more modern systems and approaches at the core of their operations. PEPFAR's focus lent itself to tangible measurement through health indicators, and the program became a results-reporting juggernaut. The MCC was established at a distance from both USAID and the State Department with an innovative, public–private governing board and a corporate model that enabled more flexible hiring capabilities. The MCC has also been empowered and encouraged to embody an approach to development assistance that rewards good performance, seeks transformative results, recognizes the need for multiyear programming, and embraces transparency and rigorous monitoring.

The ways in which PEPFAR and MCC were established, however, also weakened USAID as the leader on development within the U.S. government. USAID had been hollowed out over time, relying increasingly on contractors as it experienced a 38 percent decline in its workforce between 1990 and 2007.[18] In the past decade, many of the most important development assistance efforts of the U.S. government have been managed by other institutions, and this phenomenon has extended beyond PEPFAR and the MCC. Other parts of the State Department have grown increasingly operational, particularly in the areas of complex humanitarian emergencies and assistance driven by counterterrorism concerns. With the wars in Afghanistan, Iraq, and broader efforts to counter terrorism, the role of the Department of Defense within U.S. government development assistance has also grown.[19] Along with the diffusion of bilateral development assistance responsibilities across multiple agencies beyond USAID and the State Department, the Treasury Department is responsible for aid provided through the multilateral development banks. Complex pressures have driven the organizational fragmentation of U.S. development assistance efforts, and this has led to a multitude of aid streams lacking an optimal high degree of coordination. With different agencies competing to brand projects and agency leaders from different perspectives speaking publicly about U.S. development aid to recipient countries, the U.S. government lacks a unified voice and approach on development assistance.

The institutional fragmentation of development assistance is not limited to the United States, as demonstrated through the findings of recent DAC peer reviews of other donors. Bilateral aid donors must confront the potential for organizational splintering to spur incoherent aid efforts that do not effectively advance their goals.

Photo by Alex Irvin

"The legitimacy of the United Nations as an inclusive convener is fundamental to coordinating broad development action. At the same time, the relationship between the United States and the European Union, as two of the most important donors, is critical to effective economic help to the developing world."

—Javier Solana
Distinguished Senior Fellow, Foreign Policy, Brookings; Former European Union High Representative for Common Foreign and Security Policy

Distinct funds and organizations have also proliferated within the United Nations, the World Bank, and other multilateral donors. The United Nations Development Program has estimated that there are more than a thousand financing mechanisms at the global level. The World Bank lists more than 230 multilateral development agencies. The pace at which new agencies are being created has accelerated. As many may have been set up in the ten years spanning 1996 to 2006 as in the previous fifty years.[20] At an official roundtable reviewing the international aid architecture at the Accra High-Level Forum on Aid Effectiveness in 2008, a consensus was reached that there should be a call to "think twice" before creating new global funds or separate aid channels, and to give priority to reforming existing institutions so they can take on new challenges. The review highlighted the danger that new global funds would simply reroute existing aid rather than deliver real additionality.

Unfortunately, although the problem was recognized, the call was not heeded. New funds are being continuously created. The DAC estimates that one-third of the monies flowing through multilateral organizations does so through new trust funds established by these agencies rather than through their core activities.[21] In the area of climate change alone, the Overseas Development Institute lists twenty-two funds, sixteen of which became operational in 2008 or later.[22]

Why is this happening? It is partly due to competition between agencies and a disagreement among donors as to who should be in charge. The United Nations Development Program has a project in the area of reducing greenhouse gas emissions from deforestation and forest degradation, and the World Bank has a parallel Forest Carbon Partnership facility. Other facilities have been established to focus specifically on the Amazon and Congo river basins. This is partly due to donor countries' desire to control donated funds. If money goes into the core programs of a multilateral agency, it is unclear what exactly will emerge in new programs. Donors have much more control if they create new funds with specific rules on allocation. One reason for this is governance. Many new multilateral agencies, like the Global Agriculture and Food Security Program, have radically different governance structures—a balance between donors and recipients on the Executive Board, representation from civil society, and participation by the private sector. Such changes would take years to achieve in existing institutions.

More recently, aid donors facing push-back on the grounds of a lack of efficiency, effectiveness, and even brand strength have become more circumspect about such institutional fragmentation. For instance, the George W. Bush administration, after several years in office, attempted to take a more consolidated leadership approach to aid channels under a director of U.S. foreign assistance, and an additional presidential initiative focusing on malaria was housed within USAID. Likewise, the Barack Obama administration has refrained from creating entirely new institutions to administer its own signature development initiatives. With regard to its global humanitarian efforts, the United Nations has experimented for several years with pooled financing mechanisms and with an interagency cluster system that is meant to support a "lead organization concept." At the country level, official donors are increasingly turning toward joint coordination and assessment mechanisms.

Given the degree of institutional fragmentation within large donors and the proliferation of entirely new official donors, however, coordination measures to date are simply not enough. In cases of organizational fragmentation, like that of the United States or the multilateral development banks, some degree of organizational consolidation is warranted. Within these contexts and among the broader range of official donors, better divisions of labor are also necessary.

Division of Responsibilities

With limited resources for global development assistance and a complex range of motivations and objectives, official aid donors should seek coordinated divisions of responsibility to pursue clear mandates and differentiated roles. Although donor decisions on how and where to focus are highly political, in the interest of global aid effectiveness, such prioritization should be based on better information about donor activities. Comparative evaluations of performance across aid actors can assist in identifying institutional strengths and weaknesses. One new tool that may help is the Quality of Official Development Assistance assessment, an index recently developed to compare aid agencies' effectiveness (see box). Additionally, analyses of past, current, and planned activities across donors can serve to highlight programming gaps and overlaps. Data analysis combined with cooperative donor agencies and coordinated strategies can lead to logical burden sharing. Aid institutions, reassured by information on others' commitments and capabilities, may scale back assistance in certain sectors or countries while focusing greater efforts in others. Even if donors are armed with better information, fundamental development assistance reform requires two different thrusts of superior official aid coordination—*across* donors and *within* fragmented donor bureaucracies—to drive rational divisions of labor. Additionally, these coordination efforts are necessary at both the developing country or field level and at the global headquarters level.

Internationally, donors have committed to coordinate policies, simplify procedures, and share information to avoid duplication. But progress on harmonization has been slow. In the 2008 Paris Monitoring Survey, there is clear evidence that the administrative cost of providing aid is high for both donors and recipients. Only 47 percent of aid was channeled through common arrangements like program-based approaches. More than 14,000 donor missions were recorded to 55 aid-receiving countries participating in the survey, with 752 such missions to Vietnam alone. A similar pattern of overlap is also evident in the proliferation of donor-commissioned studies and reports. A voluntary code of conduct adopted by the European Union asks its member states to limit themselves to just two focal sectors in each country and to reduce the number of focus countries. To avoid gaps in priority sectoral and country coverage, the proposed division of labor is designed to be operationalized through a process of delegated responsibilities from one donor to another in a harmonized approach. Thus, if one donor is already supporting an effective program in a given sector and other donors also wish to address the same challenge, it can be most cost-efficient for the latter to channel their support through the systems established by the former. This approach to scaling up what works needs to be adopted across a broader set of cooperating donors.

The harmonization agenda can help eliminate bureaucratic waste, but its real goal is to improve development effectiveness. For example, because no individual aid agency takes responsibility for matching the needs and resources for development, a pattern of underaided countries ("aid orphans") has evolved. The OECD's DAC reports that twenty-five countries, largely in Africa, receive substantially less aid than is warranted using a World Bank performance-based aid allocation system. Evidence of the costs of an uncoordinated approach to aid is mounting. The large vertical funds in health—like the multilateral Global Fund to Fight AIDS, Tuberculosis, and Malaria and the bilateral American PEPFAR program—show that donors can seek to take a global lead in a given subsector. The managers of these funds have realized that they are reliant on each aid recipient country's public health apparatus for delivering their more specific services. These broader systems, however, are not well developed, and no donor agency

Photo by Alex Irvin

"Given the tremendous fiscal challenges facing the world, it's going to be all the more important to be very conscientious and very efficient with the resources that are devoted to foreign aid. If foreign assistance can catalyze the technology transfer process, I think it's one of the greatest and most efficient contributions it can make."

—Kemal Derviş
Vice President and Director, Global Economy and Development, Brookings

Photo by Alex Irvin

"We need to really focus on what we're going to do in a resource-constrained world, and to move away from the debate on bilateral versus multilateral aid. We need concerted multilateralism, born out of a true division of labor, where we work together on country plans so that countries become less dependent, not more dependent, on aid."

—Michael Froman
Deputy National Security Adviser for International Economic Affairs, National Security Council and National Economic Council

has taken on the responsibility for improving them comprehensively. As a result, these large vertical funds are starting to expand to develop their own programs for strengthening broader health systems. With better harmonization to avoid gaps and overlaps in the global aid system, specialized funds would not need to expand in this way.

One anecdote illustrates the issues in aid coordination. In one recipient country, a study showed that several donors were operationally focused on the same problem—legal access to land—in the same localities, but without integrating their approaches. On seeing the study, the donors decided to close down their activities in this sector and reallocate their funds elsewhere. But because they still did not coordinate their work, their erstwhile beneficiaries in many localities were left without any services at all.[23] The problem of overlap had become a problem of a vacuum, but the root cause was the same: a lack of coordination among donors.

There is also clearly a need for better coordination across various aid agencies and programs *within* donor bureaucracies. With better coordination of governmental bodies providing aid, the United States, for example, could avoid redundancies while articulating a better division of labor across relevant institutions. As has been noted, the U.S. organizational structure for aid is fragmented. At the global programmatic level, efforts like PEPFAR and the MCC can be understood as a form of specialization focused on defined challenges and categories of countries. Clearly designating these responsibilities could represent a useful division of labor, but separating them out into very distinct institutions could also pose serious hurdles to effective coordination with broader development programs. U.S. aid programs have also been shifting toward greater reliance on U.S. government capabilities resident in nondevelopment institutions, like the military or the U.S. Department of Agriculture. This too can be understood as a way to identify and draw upon differentiated roles, but for the sake of sound development policy, there are real risks in relying on government institutions that are not oriented toward international development as a mission, in terms of priorities or training. As the U.S. government continues to wrestle with its own internal division of responsibilities for aid, it will have to distinguish between stopgap measures—borne out of diminished capacity within its core development assistance agency—and desirable roles.

Although it makes sense to draw the more obviously development-oriented aid capacities closer together, there are gray areas—especially those related to conflict operations—that pose hard challenges to policymakers seeking to define bureaucratic responsibilities. There are dangers in overly consolidating, particularly with regard to development, diplomacy, and defense. In accordance with President Obama's recently announced global development policy, development must be elevated as a distinct central pillar of U.S. policy, equal to diplomacy and defense. A related and important issue is the need for delineated responsibilities between development, diplomacy, and defense officials at the field level. The donor programs and projects that are best for development are those designed and guided by skilled aid professionals in close consultation with local civil society groups and government agencies in developing countries. The organizational fragmentation and ambiguous objectives challenging U.S. efforts in developing countries necessitate a clearer sense of who is in charge of the development support mission. This is particularly true in contexts of crisis, fragility, and instability, where the stakes can be higher and political and military pressures can sometimes shape assistance decisions in ways that have a negative impact on development.

Policy Coherence for Development

Improving the official architecture for aid within and across donors is critical, but efforts to reform development assistance must also take into account the reality that development support from official donors is about far more than aid. Outsiders ultimately play only a limited role in the development of a given country, but donor governments and certain multilateral institutions have influence across an array of policy areas that affect development, including trade, agriculture, investment, and migration.

Aid and these other policy instruments are often separated from each other by institutional barriers, but without better links, development initiatives will continue to suffer from counterproductive efforts and missed opportunities for synergy. Incoherent donor government systems currently lead to situations where aid investments in poverty reduction and economic growth are undermined by decisions in other policy arenas. These span a wide range, from domestic farm subsidies to import duties. Clearly, domestic policies in rich countries play a role, but more coherent development policies, not just aid policies, could lead to meaningful reductions in barriers to free trade for the poorest countries. This would be a welcome step, considering that preferences programs have not lived up to expectations. For example, crude petroleum shipments, as opposed to manufactured goods, account for 90 percent of U.S. imports through the African Growth and Opportunity Act.

A comprehensive development policy could also do more to manage political risks and leverage private capital for the infrastructure investments critical to development gains. A development support effort that looks deliberately across all potential policy levers could also improve migration policies. Perhaps this could foster greater numbers of low-skilled migrants to rich countries from Sub-Saharan Africa, a region that disproportionately accounts for only 3 percent of such migrants even though they stand to make real contributions to poverty reduction in their countries of origin.

Each of these examples represents a means beyond aid to support development, and as policymakers seek to make aid more effective, they must consider how aid can reinforce such other opportunities. For this to happen, aid reform efforts must be situated within broader development strategies.

Measuring Up: From Dollars Distributed to Development Data

Although efforts to change the behavior of development partners can take a long time to show results, the true test of aid effectiveness is improvements in people's lives. There is strong theoretical backing for the link between more effective aid practices and development outcomes. For example, the principle of country ownership is recognized as vital to buy-in and the sustainability of development programs. But there is also an increasing body of anecdotal case studies. For example, an evaluation of the Tanzania Essential Health Interventions Project found that child mortality rates fell by more than 40 percent during a five-year period as a result of how aid was spent, not how much was spent. The key innovation was to identify the diseases causing the greatest harm, focus resources on them, ensure that the right medicines were available, and train staff in treating these diseases.

Because health is a tracer sector for the DAC Working Party on Aid Effectiveness and lends itself to clear results such as lives saved, there are several such examples that measure the impact of better aid delivery practices. But for most aid, the emphasis on monitoring is on dollars provided, not on development outcomes. Commitments such as those made at Gleneagles are framed in dollar terms, not in terms of what is achieved.[24] Dollars are important but can also be manipulated, making cross-country comparisons difficult. Is an expensive scholarship to a French university really aid? What about the forgiveness of a bad commercial loan that was in default anyway? Because there is so much creative accounting in aid, the DAC has developed a new category called Country Programmable Aid. This measures the amount of aid that can actually be programmed with a recipient country's authorities to meet its development priorities. According to the DAC, just over half of gross ODA is programmable.

To help shift the dialogue from aid volumes to aid quality, scholars at the Brookings Institution and the Center for Global Development have developed a new tool—a Quality of Official Development Assistance assessment (QuODA). It makes comparisons on the basis of four dimensions of effective aid: (1) maximizing efficiency, (2) fostering institutions, (3) reducing burden, and (4) transparency and learning. QuODA's quantitative approach provides independent data on 30 indicators, allowing comparison between 31 donor countries and multilateral agencies, and between 152 bilateral and multilateral agencies, from one year to another. The indicators, including direct and proxy measures, are chosen to reflect the commitments of donors, the concerns expressed by recipient countries, academic research on aid quality, and the availability of comparable data. QuODA shows which donor countries and agencies are providing "higher-quality aid" compared with their peers and what each can do to improve. QuODA is poised to expand and improve in future assessments as the quality and accessibility of data on donor activities increase over time. In some areas, it is quite lacking because of data problems. We know little about the evaluation efforts and results of donors (on a comparable basis), and the quality and timeliness of aid data still leave room for much improvement. For example, at the time of writing this report, the most recent aid data are two years old.

Aid may be a catalyst for change, but ultimately development depends on effective governments, competitive businesses, and engaged citizens. Already there are several indicators of government effectiveness—the Worldwide Governance Indicators and the World Bank's Country Policy and Institutional Assessments, for example. There are also indicators of competitiveness, like the World Economic Forum's Global Competitiveness Index. What still needs to be better indexed, however, is the depth of countries' commitments to engage with their citizens and foster social innovation. A Social Competitiveness Index, currently under development, would compare which countries are best positioning themselves through legal, fiscal, and cultural reforms to address broad social challenges.[25]

Partnership and Leadership

Photo: REUTERS/Jason Reed

Beyond the official architecture of governmental and intergovernmental providers of aid lies a vibrant and broad network of actors supporting development. Assistance reform for the 21st century must focus on the effectiveness of a more inclusive aid architecture that not only ensures a better division of labor and organization across public donor institutions but also leverages both the private for-profit and nonprofit sectors through partnership-oriented aid strategies.

"Partnership," in this sense, must transcend its buzzword status within the field of development to become the very fabric of aid work. Relationships through grants, contracts, and coordination at the project level are important, but the opportunities for development support presented by businesses, international NGOs, foundations, and research institutions also call for a sophisticated multistakeholder approach at the strategic level. In developing countries, recipient governments and their citizens must be recognized by all actors as forming the core of any sustainable development effort. Internationally, U.S. leadership is key to carrying out significant aid reforms that build on effectiveness principles, such as country ownership, and adapt to the highly influential development support roles played by private sector actors.

Capitalizing on Business

Public sector aid actors have increasingly recognized the large role played by private capital in developing countries, but overarching aid policies and delivery systems still require further reforms to meet the potential of public–private links in promoting development. In a reversal of the financial situation forty years ago, today the vast majority of resource flows to developing countries come directly from private capital rather than originating from official aid.[26] The combination of foreign direct investment, corporate philanthropy and remittances alone from DAC countries is estimated to have been $367 billion in 2008, compared to only $122 billion of ODA.[27] Official donors have been expanding their engagement with businesses in recent years, as demonstrated by partnership initiatives among bilateral donors, corporate citizenship and partnership initiatives among UN agencies, and the dramatic growth of the private sector components of development banks, such as the World Bank's International Finance Corporation.[28] The keys to expanding on these efforts and truly capitalizing on business for development assistance include more strategically leveraging multinational corporate interests in developing countries, better supporting small and medium-sized enterprises (SMEs) as drivers of growth, and incorporating useful business mentalities in approaches to development aid.

Although official aid donors have established specialized divisions and funds to form partnerships with corporations

Photo by Alex Irvin

"If you look at the innovations and the substantive changes in how outsiders are trying to help the developing world, they have essentially come from the NGOs, from the private sector, and from a few key foundations, but not from traditional donors. We need concrete proposals that will allow traditional donors to make the same progress and to mobilize more resources for greater impact."

—Richard Blum
Founder, Blum Center for Developing Economies; Chairman, Blum Capital Partners, LP

Photo opposite page: U.S. President Barack Obama delivers remarks at the Millennium Development Goals summit at the United Nations in New York, September 22, 2010.

Photo by Alex Irvin

"The private sector can leverage incredible resources, including capital, and can help to build stronger systems on a foundation of government accountability and transparency. By committing to global standards and opening themselves to partnership opportunities, corporations can take a lead role in promoting sustainable development."

—V. Shankar
Chief Executive Officer, Europe, Middle East, Africa, and Americas, Standard Chartered Bank

during the past decade, these efforts have often focused on financial partnerships with corporate philanthropy divisions at the project level. This work has not been insignificant—some 5,000 projects have been catalyzed by the Deutsche Gesellschaft für Technische Zusammenarbeit's Public–Private Partnerships Program, USAID's Global Development Alliance, and the U.K. Department for International Development's Challenge Funds. Opportunities exist, however, beyond project-level financing to also engage in strategic and collective partnerships focused on knowledge sharing and capacity development to address larger-scale problems. Development assistance partnerships with businesses should not be limited to corporate philanthropy. Companies should be encouraged to apply their core competencies—their particular skills, technologies, business models, and value chains—in ways that can help address specific development challenges. To achieve impact on a broader scale, aid donors should seek to foster partnerships with industry-wide coalitions where possible. Such arrangements are more challenging to develop, but they also address suspicions of individual corporate motives and favoritism.[29]

Another way to more strategically leverage big international businesses is to encourage their interest in profitably establishing themselves in "bottom of the pyramid" markets. Through risk-sharing mechanisms, such as first loss funds or credit guarantees, aid can be focused on creating incentives and lowering hurdles for the private sector to enter markets that present new or simply more hazards. Although such mechanisms are employed by various official aid agencies, they are still often treated as marginal rather than core components of aid programs.

Still another way for aid donors to capitalize on the involvement of multinational businesses in developing countries–and particularly on their scale and reputational concerns—is to prioritize voluntary norm-setting and accountability strategies for the private sector. The Extractive Industries Transparency Initiative is just one of many examples of how public donor institutions can play a critical role in shaping and promoting guidelines for improved corporate responsibility.

Beyond large-scale, global corporations, improved links between aid and business must focus on SMEs, which can be critical players in the delivery of aid but, most important, serve as drivers of economic growth throughout developing countries. Growing SMEs have different needs from those addressed by popularized finance strategies for microenterprises, and thus these SMEs could benefit from greater aid focused on technical assistance and the facilitation of equity capital investments. One creative idea for how development assistance can better connect developing country entrepreneurs with investors is to establish corps of business-savvy volunteers to help SMEs become more attractive and ready for investment by developing high-quality business plans that can be scaled up. Teams of MBA graduates led by seasoned and regionally experienced businesspeople could be dispatched to targeted business-friendly partner countries, where they could apply their skills by helping local businesses access domestic and international capital. Such entrepreneurship support could be focused on high-growth or high-need sectors depending on the context.[30]

Aid can also leverage business strengths by incorporating useful business mentalities into development assistance approaches. For example, aid bureaucracies that are notoriously slow can focus on retuning their internal processes so they can respond in a more timely fashion to proposed partnerships from the private sector. From the standpoint of human capital, aid agencies could incorporate businesslike thinking by establishing or expanding prestigious fellowships that provide incentives for cross-sector exchange and interaction. An increasing influence of the private for-profit sector on aid approaches is perhaps evident in the greater attention now being given to results-based schemes such as "cash on delivery."[31] Innovative market-based mechanisms are on the rise within development assistance strategies, ranging from advanced market commitments for vaccines to social impact bonds that link investment returns to public sector savings. Such creative developments represent a positive trend that should be encouraged. Finally, traditional aid donors have an important role to play in promoting promising new development technologies, supporting research and development, and incubating good ideas. To fulfill this role, aid actors should monitor and engage productive partnerships between corporate and university research efforts focused on international development challenges.

Development Profits from Nonprofits

The private for-profit sector is not the only source of innovation, resources, or influence with regard to the broader ecosystem of development actors beyond traditional governmental and intergovernmental institutions. Large NGOs, though not new as development actors, have risen in importance due to better organization and greater financial backing from foundations, corporations and the public. Along with growing financial clout—United States–based NGOs alone gave $11.8 billion in private development assistance (PDA) in 2008[32]—internationally focused NGOs have grown significantly in their capacities. The biggest international NGOs (INGOs), like World Vision International and Save the Children Federation, among others, marshal between $1 billion and $2.5 billion annually. Resources remain concentrated in the more established brands. Among the members of InterAction, an alliance of more than 190 United States–based relief and development NGOs, the fifty largest organizations account for 90 percent of all funds and the top fifteen largest NGOs account for 60 percent.[33] The concentration can actually increase in disasters, with fifteen NGOs accounting for 93 percent of the resources raised by the United States–based nonprofits responding to the 2010 earthquake in Haiti.[34] Approximately twenty United States–based relief and development NGOs now have between 5,000 and 46,000 employees each.[35] Large NGOs are not unique to the United States or the West. BRAC has more than 115,000 employees in Bangladesh alone, and since 2002 it has expanded globally from its origins in that country.[36] In recent years, some INGO "families" with similarly branded national organizations around the world, including CARE, Caritas, Oxfam, PLAN, Save the Children and World Vision, have become more tightly confederated or even organizationally unified, resulting in greater collective

Photo by Sandy Burke

"When we consider partnerships, we're looking across the full extent of our value chains. Our ability to have impact depends on how we can use our size as an advantage and collaborate with upstream suppliers, retailers and even consumers in related ways. More and more companies are actually looking to integrate development thinking as they build long-term sustainable business models. As they address the environmental and social impacts of their companies from a risk-management standpoint, they create opportunities to be powerful partners for development."

—Miguel Veiga-Pestana
Vice President, Global External Affairs, Unilever

Photo by Alex Irvin

"Lenders are more willing than perhaps ever before to look at small and medium sized enterprise lending as a channel for supporting development. What is missing is the connective tissue between the economic opportunity on the ground and these investors and lenders."

—Rob Mosbacher
Chairman, Mosbacher Energy Company

Photo by Alex Irvin

"We need to work with governments to explore how we can use private mechanisms to bet on winners. All over the world we see entrepreneurs having a social impact in a way that is economically sustainable and that can scale up. There are real opportunities to support bottom-up development if we can become more flexible in how we invest capital."

—Jacqueline Novogratz
Founder and Chief Executive Officer, Acumen Fund

Photo by Alex Irvin

"The dialogue that tends to happen between the NGO community and nation states in the UN system is often at the policy advocacy level, which does not engage the leadership of the NGOs. We need to establish creative spaces where a high level dialogue can occur that allows private resources to play a constructive role in effective development efforts."

—Samuel Worthington
President and Chief Executive Officer, InterAction

presence and clout. Given that PDA plays a complementary role to ODA in many cases,[37] more strategic attention must be paid to the growing amount of resources flowing through large NGOs.

As public interest in development issues has risen in Western countries, these NGOs have also been given a greater mandate to lobby Western governments on behalf of aid recipients. Newer advocacy organizations, such as the ONE Campaign with its 2 million supporting members, actively organize around a range of issues once considered too dull for public attention, including water and sanitation, aid effectiveness, and governance reforms. Relief and development NGOs hold significant sway over public perceptions of whether foreign assistance funds are being spent effectively. Although these groups are buoyed by self-selected donors, their numbers still allow them to speak credibly to how the public prioritizes topics within foreign assistance. As such, they are another necessary set of stakeholders to incorporate within conversations on foreign assistance reform.

For decades, Western INGOs focusing on the world's poor and most vulnerable people have convened and coordinated through networks like InterAction in the United States and the International Council of Voluntary Agencies in Europe. Some of the major organizations that belong to these groups also come together as part of the Steering Committee for Humanitarian Response (SCHR), and the leaderships of the most influential INGOs come together in various formations to interact through leaders' forums and issue-specific committees of principals. Together, these alliances have served a standard-setting function in the areas of humanitarian assistance and disaster response, and increasingly, as demonstrated by the SCHR, they are adapting and employing technical evaluations such as the peer review methodologies used by the OECD's DAC. As the impact of INGOs has grown, these organizational mechanisms to elevate the quality of development practice and amplify advocacy have become more important.

NGOs are increasingly pushing for a greater voice in forums that traditionally have been the domain of bilateral and multilateral agencies. The High-Level Forums on Aid Effectiveness serve as a prime example. Belatedly, the traditional, official aid bureaucracy is awakening to the potential that many of the largest INGOs are capable of coordinating in such a way that, as a like-minded donor bloc, they constitute a major development assistance player. In this manner, top INGOs surpass non-DAC governmental donors in resource flows and coordination. If major INGOs can organize internally to resolve issues of limited representation, they can likely take advantage of this window they have created. In the run-up to the Fourth High-Level Forum on Aid Effectiveness in 2011, INGOs can strengthen their chance to have a distinct voice at the policymaking table by transparently presenting the broader development community with hard numbers on their aggregate assistance activities accompanied by rigorous evaluations of their impact.

Greater inclusion of NGOs in the architecture of aid policy would be beneficial because there is a critical need for official development institutions to draw upon the innovation stemming from these actors. Of particular importance, the operations of NGOs in developing countries, including the major INGOs, are managed overwhelmingly by experienced citizens rather than cultural and national outsiders. In this way, a greater voice for large NGOs in international forums

Photo by Sandy Burke

"The university community, especially the current generation of idealistic youth, has a large role to play in developing novel, scalable solutions in a landscape of constantly changing problems. An approach that both manages top-down business strategies for sustainable development and encourages bottom-up tactics for promoting innovation can bring new energy to current development stalemates."

—**Shankar Sastry**
Dean, College of Engineering, University of California, Berkeley

can help to forge a connection between global development policies and the needs and perspectives of civil society groups in aid-recipient countries.

Dynamic Cross-Sector Hybrids

Other influential nongovernmental actors, such as megaphilanthropies and multi-stakeholder initiatives, are also diversifying the sources and shapes of development assistance. A new generation of organizations now blend a business mentality with a nonprofit model. Embodying this approach, the Bill & Melinda Gates Foundation, for example, brings new perspectives to the fields of global public health, agriculture, and other related areas. Far from simply creating a multitude of discrete projects, these organizations are strengthening local systems through investments in science, technology, and community empowerment, and they are using their flexibility to support innovative pilot programs that may have widespread application. Given the unprecedented scale of these donations—the Gates Foundation thus far has funded approximately $17 billion worth of projects focused on global development and health—such investments hold significance for recipient systems and broader foreign assistance strategies.[38] Less prominent but also significant in its scope is the burgeoning field of social enterprises that relate to global development. Traditional aid actors are still grappling with ways to engage this energized and diverse array of double- and triple-bottom-line organizations that integrate nonprofit and business models. As many of these organizations expand, they too are looking toward larger aid donors to shape policies and inject their own approaches on a much larger scale.

Several notable multistakeholder efforts foster a coming together of for-profit and nonprofit mentalities, including the Clinton Global Initiative and the Global Alliance for Vaccines and Immunization, which have made large-scale commitments to supporting development. Guided by high-profile leaders with backgrounds spanning sectors, these groups have added value by focusing on how coalitions can fills gaps between traditional aid actors. Most notably, they have tapped corporate partners as a way of leveraging the necessary resources to support development efforts. Those resources extend beyond capital. Advanced markets for vaccines, for example, use the research and development

Photo by Sandy Burke

"Different cultures exist within partnerships, and creating alliances that both sides trust takes skill and time. There is value in developing conversations among organizations from different industries that would not normally speak with one another. These horizontal links—connecting between different value chains, not just within them—can lead to more creative thinking and unexpected opportunities for collaboration."

—**Sylvia Matthews Burwell**
President, Global Development Program, Bill & Melinda Gates Foundation

Photo by Alex Irvin

"We need to rethink how we deliver aid. Our role as outsiders is not to do, our role is not to provide education in these countries, our role is not to organize systems of production in other countries; our role is merely to incent actors within those countries to behave in certain ways to develop the systems to deliver education or other services themselves."

—**Smita Singh**
Director, Global Development Program, William and Flora Hewlett Foundation

Photo by Alex Irvin

"When most of the problem is politics in capital cities of donor countries, it's time to have the political will to change the way aid is delivered to poor countries."

—**Amara Konneh**
Minister, Planning and Economic Affairs, Republic of Liberia

capabilities of corporate partners to address crucial shortcomings in global health. Serving to bridge cultural gaps between government actors, NGOs, and private companies, these groups are likely to play an increasingly important role in norm setting for development actors.

More widespread and concerted thinking should be applied to the value of multisectoral and multistakeholder initiatives. What other gaps could be filled or solutions advanced through the creation of entities like the Extractive Industries Transparency Initiative, the Partnership for Quality Medical Donations, or the Aspen Network of Development Entrepreneurs? One way in which development actors could perhaps systematically spur such thinking would be to sponsor or promote coalition plan competitions, modeled on business plan competitions, to creatively hone detailed thinking about the goals, means, and key players for game-changing partnerships and alliances.

Developing Countries at the Core of Aid Leadership

Given all the increases in resources and labor power going into development assistance from various angles, the results on the ground depend critically on coordination and leadership. When host governments take on the leadership role and are active and effective coordinators, as was the case with Aceh and India after the tsunamis or Mozambique's response to floods in 2007, development outcomes can be excellent. But when countries fail in these responsibilities, as appears to be the case in Haiti, then there is confusion, waste, and overlap.

The problem can be confounded when donors jostle for influence in the coordinating body. For example, there has long been a rivalry between UN Roundtables and World Bank–led Consultative Group meetings. Increasingly, this is spilling over into other rivalries in specific sectors (such as health or climate change) or between bilateral donors (like China and the DAC countries). There is little agreement on the core questions of who should coordinate whom and how.

In practice, DAC donors are making efforts to coordinate among themselves (especially at the international level), but in only a few cases are they willing to coordinate in a full sense with recipient governments. NGOs and civil society groups have also tried to reduce overlap among their activities, but they have generally stayed away from coordinating with host governments. New development partners like China and Brazil do coordinate directly with recipient government officials, but they engage in multilateral coordination even less than the least-inclined traditional donors, preferring to approach development cooperation as a strictly bilateral issue.

In theory, all donors pay lip service to the idea of recipient government–led coordination, based on national poverty reduction strategies. In cases of good country coordination, these aggregate strategies are further buttressed by detailed sectoral plans. But in practice, this design is hindered by five main factors. First, many donors feel a need for visibility of their projects, to be able to show taxpayers back home what is being achieved. They therefore often jockey to support pieces of the development strategy, not the overall plan. Second, many times donors have different views from the government about the overall strategy—for example, about the balance between infrastructure and human capital development. They use aid to tilt resource allocations toward their own viewpoint. Third, donors may have differing views as to what works and how to mitigate some of the problems that inevitably crop up in development projects: resettlement, environmental safeguards, anticorruption measures, evaluation processes. Each donor has evolved standards with which it is comfortable and thus is often unwilling to compromise on these standards to accommodate others. Fourth, recipient governments may not even have sufficient information to coordinate well—more than half of all aid is off budget. Fifth and last, coordination at the recipient-country level is hard to do across a number of disciplines—donors simply do not have sufficient field presence, and they have too great a turnover of key personnel to maintain adequate institutional memory. If local coordination meetings are not perceived as effective because key players are absent, they lose relevance. The composition of key players is also changing, as noted with regard to various private sector actors, adding another layer of complexity.

Despite these difficulties, there appears to be no substitute for recipient country–led coordination mechanisms. The issue becomes how to strengthen these processes. It will clearly require considerable political will on the part of donors, especially DAC donors, which collectively still provide most aid. These donors are also well positioned to help recipient countries strengthen their aid coordination systems, possibly by using multilateral agencies, which are viewed by many as more politically neutral. Good practice examples now exist of how to promote structures that build a reinforcing relationship between a state, its private sector businesses, and its civil society groups to promote development. But such structures require resources, information, and capacity development. Aid agencies should consider how to materially support such local capabilities. Recipient governments need to be able to link aid with their own budgets in a transparent way and to evaluate development progress using all resources—both aid and domestic. Civil society needs to develop reasoned, evidence-based policy positions to hold constructive dialogues with government. Countries that have a network of think tanks have been able to use independent research to bridge the dialogue across main actors in a useful way. Where such networks are lacking but desired, international donors should explore ways to support local efforts to build them up.

Taking country ownership seriously means giving recipient countries the tools they need to coordinate aid better in the field. This has been done in the past. In the late 1950s, for example, the Office of the Economic Coordinator was formed to manage all aid going to South Korea, under the guidance of a joint Combined Economic Board. Nine hundred Koreans were employed in that agency. Maybe there are lessons here for how aid today could be coordinated better.

Photo by Alex Irvin

"We need to overcome the notion that aid and development are the same thing. There's also a big challenge before us in terms of collaboration with the private sector to think about how partnerships can be undertaken in a more systemic manner rather than project by project so that we can truly achieve impact."

—Gayle Smith
Special Assistant to the U.S. President and Senior Director for Development and Democracy, National Security Council

Photo by Alex Irvin

"There is a consensus we need greater country ownership of foreign assistance programs and a more flexible, nimble aid delivery system. Involving host country civil society members and government officials, while at the same time reducing red tape and measuring for results, will allow for more effective aid and increase cost-efficiency."

—Howard Berman
U.S. Representative (Calif.) and Chairman of the Committee on Foreign Affairs, U.S. House of Representatives

Global Improvements through U.S. Reform and Leadership

Of all the various donors and key actors active in providing development assistance, the U.S. government has a unique role at a global level. Its geopolitical position and the fact that it is the largest single aid donor mean that it is indispensable in driving some level of macro coordination and in modeling internal reforms to make aid and development support more effective.

No entity coordinates ODA across forty-two donor countries and hundreds of bilateral and multilateral agencies. The UN Development Cooperation Forum is strong in terms of representation but weak with regard to effectiveness as a coordination mechanism. The opposite is true of the OECD's DAC, which is not an all-inclusive club. The Group of Twenty, half of whose members account for well over half the world's poor, is at least a more representative global economic steering committee than the Group of Eight, but it too lacks representation with regard to aid donors. Additionally, the Group of Twenty's limited attention to development support has not focused on aid. Furthermore, none of these coordination bodies oversees the relevant range of multilateral aid agencies. It is preposterous to even imagine a coordinating bureaucracy on top of the broader ecosystem of development actors that includes private for-profit and nonprofit organizations in addition to official aid donors. Despite this daunting landscape, the U.S. government can and should leverage its considerable influence in a number of different forums to promote and implement rules, standards, and agreements that can help make the network of aid actors operate more efficiently. After all, the United States played a central role in establishing the Development Assistance Committee of the Organization for Economic Cooperation and Development. Now, fifty years later, the United States should not miss chances to lend its influence. Preparations for the upcoming Fourth High-Level Forum on Aid Effectiveness, for example, present such opportunities.

The U.S. government is also in the process of retooling its own policy instruments and assistance operations to more effectively support global development. In this respect, the United States is struggling to address a number of the problems articulated above, including ambiguous mandates, organizational fragmentation, development policy incoherence, and partnership with host countries and the broader ecosystem of aid actors. To the extent that current reform efforts succeed, they will make U.S. aid delivery more effective in supporting development outcomes and they will also make the single biggest aid donor more influential in catalyzing smart reforms among other development actors worldwide.

From its earliest days, the Obama administration has been engaged in policy and organizational reviews focused on development. After much internal deliberation, the administration announced the president's new development policy in September 2010. During the period when the policy was crafted and then announced, changes began to take shape as a result of new initiatives in food security and global health, rebuilding efforts within USAID, and the progress of the inaugural Quadrennial Diplomacy and Development Review by the State Department and USAID. These improvement efforts espouse many principles of sound development policy. The new policy, for example, focuses heavily on supporting sustainable development outcomes, including the increased capacity of developing country systems. The policy emphasizes the importance of country ownership, transparency,

Photo by Maggie Hallahan, courtesy of Acumen Fund

and accountability for development results. The Obama administration is committed to more selectively focusing on those countries and sectors where it can have the greatest impact. The administration is also committing to forge explicit divisions of labor with other donors. Of particular importance, the policy underscores the need for a well-resourced and rigorous system to monitor and evaluate policies and programs. It also places a premium on government support for development-focused innovation and on the value of private sector input into policy conception in addition to policy implementation.

These broader themes are connected to specific efforts under way to modernize USAID's capabilities. Through these reforms, USAID is aiming to strengthen its operational capabilities by hiring more staff—especially midlevel professionals—and by revamping policies related to procurement as well as learning through monitoring and evaluation. USAID is restoring policy, planning, and budgeting capacities that were stripped away under the State Department–led reforms of the previous administration. Additionally, USAID's revitalization includes a spirited effort to engage development innovators outside the U.S. government by investing in and promoting promising new development technologies.

As was noted above, architectural challenges include development policy coherence and the organizational fragmentation of assistance. The concept of better policy coherence for development has resonated with the current U.S. administration. As President Obama has noted publicly, "Aid alone is not development," and it is critical to harness a wider array of development policy tools, including diplomacy, trade, and investment.[39] The mechanisms envisioned for such alignment include cross-agency coordination by the White House, a regularly updated and presidentially approved U.S. global development strategy, and development impact assessments of changes in U.S. policy that affect developing countries. The proliferation of agencies programming development aid, on the other hand, appears at least to have been halted under the new policy, but it is not as directly addressed as the issue of broader development policy coherence. The president's initiatives are not housed in newly created institutions, and as USAID is being rebuilt "as the U.S. government's lead development agency," it is set to assume responsibility for these programs.

Photo by Alex Irvin

"We need to acknowledge that development has to be its own discipline, it has to be autonomous and it has to be powerful. That means elevating USAID, making sure that it is as strong as it can be, but also making sure it's deeply connected to what we do at State and other arms of foreign policy."

—Anne-Marie Slaughter
Director of Policy Planning, U.S. Department of State

Photo by Sandy Burke

"We should embrace aid strategies that promote country ownership, as we are doing at the U.S. Government's Millennium Challenge Corporation. These strategies are more effective because they encourage sustainability by empowering our partner countries. As importantly, by tying country ownership to accountability, donors are empowered to ask countries to make policy reforms and focus on results."

—Daniel Yohannes
Chief Executive Officer, Millennium Challenge Corporation

Photo by Alex Irvin

"A lot of time is being spent in this process on playing with organizational charts, redefining authorities and trying to get different agencies to talk to one another. But unfortunately, no one is framing the core logic for what they should all be doing in the first place. The time has come for the Administration to articulate a clear and compelling strategic vision for how the United States plans to fight global poverty and to reach out to Congress as a partner in redefining the mission of U.S. foreign assistance."

—Raymond Offenheiser
President, Oxfam America

The future relationships between USAID, MCC, and the Office of the Global AIDS Coordinator at the State Department are vague. Other relationships that require explicit improvement include those between the lead development agency and other departments and agencies of the U.S. government, such as Treasury, Defense, the Centers for Disease Control and Prevention, and the Overseas Private Investment Corporation, to name just a few. A murky boundary between development assistance and other types of foreign assistance persists, and this frustrates efforts to set a clear division of responsibilities between USAID and the State Department. This is especially true as the latter continues to become more operational with regard to assistance programming, particularly in the areas of conflict prevention and response.

The U.S. Congress is also an essential participant in the reform process because much of the dysfunction with regard to a multiplicity of mandates or ways of doing business can be traced back to outdated legislation and a trust deficit between Congress and the executive branch. Key members of Congress were vital in recent years in prompting elements of the current U.S. reform agenda, and they will be equally important in determining whether core elements of the reforms are institutionalized in law. Congress also holds the purse strings to determine what gets funded, a critical factor in the survival of development reform initiatives. For example, Obama's development policy astutely pledges to strengthen multilateral capabilities. The share of U.S. assistance channeled through multilateral aid organizations has fallen to 11 percent, less than half its level a decade ago, even though U.S. development assistance has increased nearly 10 percent a year in real terms during this period. The United States also now ranks behind the United Kingdom in contributions to the World Bank's concessional fund for the poorest countries and behind the United Kingdom, France, and Germany in contributions to the African Development Bank's concessional fund. In a time of budget austerity and a challenging political climate, Congress is in a crucial position to determine whether the United States will provide strong support for the multilateral system. Such support is a vital element of U.S. leadership on development.

Although many important issues are mentioned or even given prominence in the newly articulated thrust of official U.S. development efforts, the real test will involve a comparison of the policy, budget outlays, and management decisions in the coming years to answer key questions: Will development, by any measure, be elevated as a central pillar of U.S. national security "equal to diplomacy and defense," as pledged in Obama's policy? Will development professionals be in charge of formulating and making development support decisions? How does USAID's position as the lead development agency manifest itself within a fragmented bureaucracy and under a policy that defines development as more than aid? Through operational improvements at the agency level combined with more fundamental shifts—an overarching strategy, rational organizational structures, and modern statutes—the United States can more effectively support global development. Some of these reforms have begun, but their momentum has been challenged by a crowded political agenda compounded by more predictable bureaucratic inertia. Development assistance reform globally will be significantly affected by the degree to which the promises of the new U.S. policy can yield progress.

Aiding Development

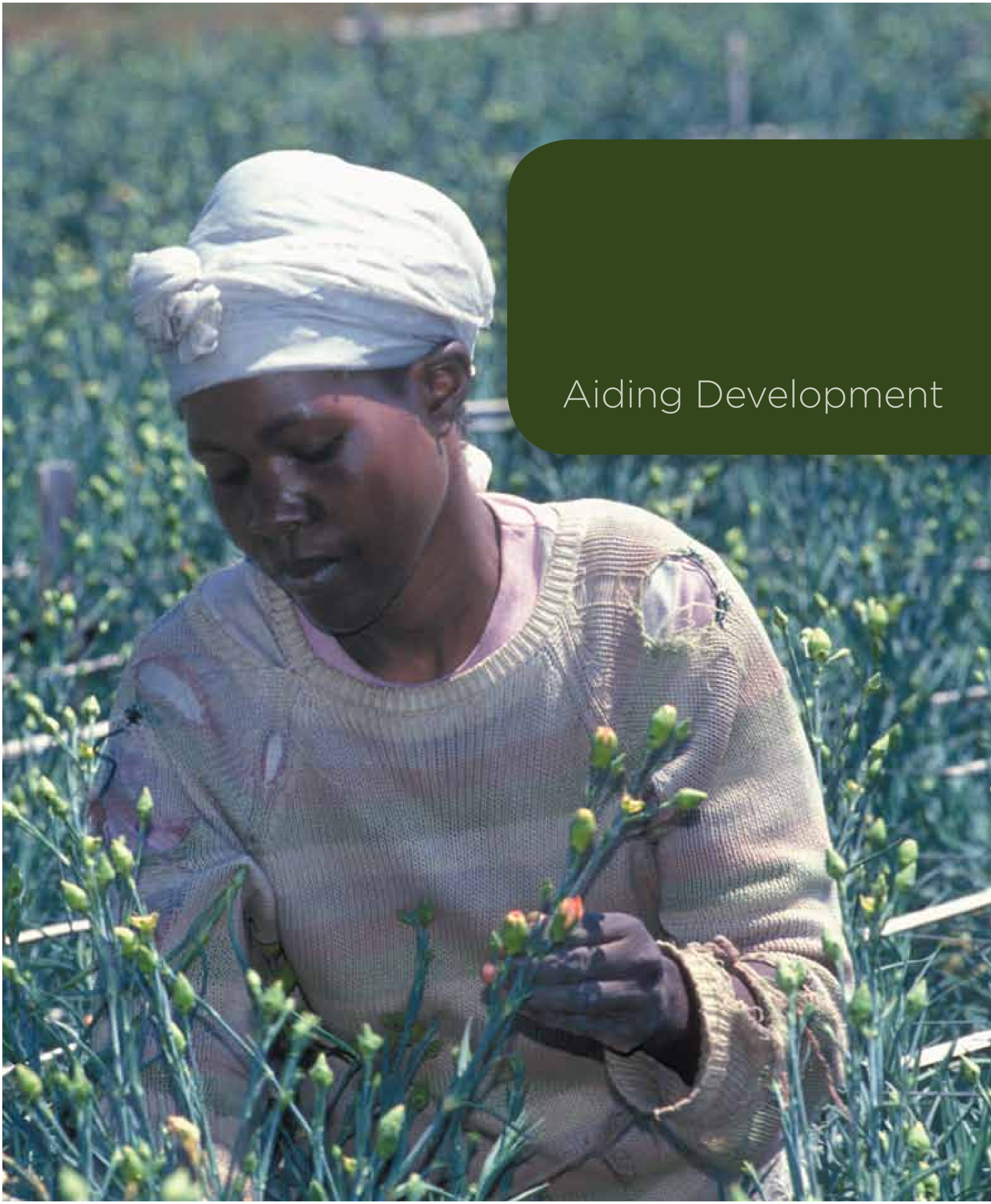


Photo courtesy of Curt Carnemark/The World Bank

Photo by Alex Irvin

"I believe that we're on the cusp of huge breakthroughs in health, food and other sectors, and that if we can come together and organize ourselves in a way that's more innovative and more results-oriented, that we can generate the kinds of wins that can set us on a development trajectory that's really transformative and very different from what we've been experiencing the last few decades."

—Rajiv Shah
Administrator, United States Agency for International Development

There is today a real possibility that global poverty can be reduced dramatically. Where self-sustaining development is already taking root, it could be preserved, and elsewhere it could be jump-started.

The 1 billion people currently living on less than $1 each day would be able to offer their children and grandchildren the opportunity for a better life, and most of the 2.7 billion people with incomes under $2 a day would move safely beyond the spectral prospect of a return to abject poverty.

Such optimism is valid for a number of reasons. Significant aid resources exist—about $200 billion per year from all official and private philanthropic sources. Development actors additionally have ideas of what works, backed up by an increasingly impressive array of evaluations. And there are also new technologies that could revolutionize many industries, including development assistance, if applied in intelligent ways.

What is lacking is the plan. A plan starts from a clear vision of goals, and the first task for the development assistance community is to be more hard-nosed about what it is trying to achieve through specific efforts. The creeping mandate of development assistance to encompass self-sustaining growth and stronger commercial ties, humanitarian support, management of global public goods in climate and health, peacekeeping and state building, to name just a few areas, has blurred the focus of development assistance efforts. That in turn has led to institutional overlaps, a lack of leadership, and a lack of coordination.

Clarifying mandates, and using that clarity to develop metrics, would allow development assistance to benefit from modern results-based management processes in the same way as other sectors.

Development assistance is a collective effort that must be guided by the needs of developing countries. It has been channeled through public bilateral and multilateral agencies that comprise an official aid architecture, but that construct is under increasing stress. The functionality and effectiveness of development assistance programs are being reduced as they collide with each other. Many efforts have been made to try to bring order to the system, but the top-down planning that has characterized these efforts seems to be reaching its limits. More and more of the resources for official aid are routed through new specialized agencies and funds because the core systems that used to define the aid architecture are deemed stale or too indirect. Donor governments also have considerable responsibility for the splintering of their development assistance efforts across institutions and for lacking a vision of linking aid with other development support policies.

Streamlining aid institutions and achieving policy coherence between aid and other instruments is urgently needed. These efforts have started, with important new initiatives in both the United States and Europe, but follow-up is needed to track implementation and to see whether real changes are happening on the ground.

Finally, the development plan needs leadership and partnerships to succeed. In a broad network of development actors marked by dynamism from private for-profit, nonprofit, and hybrid organizations, aid donors must reorient their strategic processes and operations to fulfill the unmet potential of public–private links. The U.S. government is in a position to play the roles of organizer and catalyst for development partnerships because of the size and reach of official and private U.S. development assistance. The United States has also already been at the forefront of creating new partnerships between aid agencies, private philanthropists, and the private business community. But the U.S. development assistance community is itself fragmented. With strong reforms inside the U.S. government that truly elevate the importance, capacity, and sophistication of U.S. development support as a whole, and aid in particular, the United States can lead broader efforts to effectively meet the development challenges of the 21st century.

Photo courtesy of Curt Carnemark / The World Bank

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Oxfam Australia built temporary shelters to house people left homeless after the tsunami. Where ever possible refugees were trained to assist in the rebuilding.

John Danner, Senior Fellow, Lester Center for Entrepreneurship and Innovation, University of California, Berkeley

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Diana Ohlbaum, Senior Professional Staff Member, Committee on Foreign Affairs, U.S. House of Representatives

Kang-ho Park, Former Director-General for Development Cooperation, Ministry of Foreign Affairs and Trade, Republic of Korea

John Podesta, President and Chief Executive Officer, Center for American Progress

Shankar Sastry, Dean, College of Engineering, University of California, Berkeley

Rajiv Shah, Administrator, United States Agency for International Development

V. Shankar, Chief Executive Officer, Europe, Middle East, Africa, and Americas, Standard Chartered Bank

Smita Singh, Director, Global Development Program, William and Flora Hewlett Foundation

Anne-Marie Slaughter, Director of Policy Planning, U.S. Department of State

Gayle Smith, Special Assistant to the U.S. President and Senior Director for Development and Democracy, National Security Council

Javier Solana, Distinguished Senior Fellow, Foreign Policy, Brookings; Former European Union High Representative for Common Foreign and Security Policy

Erica Stone, President, American Himalayan Foundation

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Miguel Veiga-Pestana, Vice President, Global External Affairs, Unilever

Laura Winthrop, Professional Staff Member, Foreign Relations Committee, U.S. Senate

Samuel A. Worthington, President and Chief Executive Officer, InterAction

Daniel Yohannes, Chief Executive Officer, Millennium Challenge Corporation

Phillip Zelikow, Burkett Miller Professor of History, University of Virginia

Special Guests

Peggy Clark, Vice President, Policy Programs and Executive Director, Global Health and Development, Aspen Institute

Maryanne McCormick, Executive Director, Blum Center for Developing Economies, University of California, Berkeley

Heather Simpson, Special Adviser to the Administrator, United Nations Development Programme

Jane Wales, Vice President, Philanthropy and Society, Aspen Institute

Note: The titles and affiliations of the participants are as of August 2010.

Notes

1. World Bank, *World Development Report 2010: Development and Climate Change.* Washington: World Bank, 2010.
2. Ibid.
3. Katherine Sierra, "Taking Action on Climate Change: The Forecast for Cancún and Beyond." Washington: Brookings, November 2010; and United Nations, *Report of the Secretary-General's High-level Advisory Group on Climate Change Financing.* New York: United Nations, 2010.
4. As of June 2010, slightly more than 70 percent of project activities within the Clean Development Mechanism were registered by China (42 percent), India (22 percent) and Brazil (7 percent). The statistics are available at http://cdm.unfccc.int/Statistics/index.html (Accessed December 2010).
5. Hillary Rodham Clinton, "Leading Through Civilian Power: Redefining American Diplomacy and Development," *Foreign Affairs,* 89, 6. New York: Council on Foreign Relations, November/December 2010.
6. To identify fragile or failing states for these calculations the authors are using the methodology developed by Hirotaka Takeuchi et al., "Development Assistance and Statebuilding in Fragile Situations," *Catalyzing Development: A New Vision for Aid*, edited by Homi Kharas et al. Washington: Brookings Press, forthcoming.
7. According to its most recent spending review, the United Kingdom will increase support for fragile and conflict-affected states from 22 to 30 percent of ODA by 2014/15. See www.dfid.gov.uk/Media-Room/Press-releases/2010/Spending-Review-2010/ (Accessed December 2010).
8. Alex Duncan, Gareth Williams, Juana de Catheu et al., "Monitoring the Principles for Good International Engagement in Fragile States and Situations," *Fragile States Principles Monitoring Survey: Global Report*. Paris: Organization for Economic Coordination and Development, 2010.
9. See Margaret L. Taylor, "Civilian–Military Cooperation in Achieving Aid Effectiveness: Lessons from Recent Stabilization Contexts," *Making Development Aid More Effective: The 2010 Brookings Blum Roundtable Policy Briefs*. Washington: Brookings, September 2010.
10. Stewart Patrick and Kaysie Brown, *Greater Than the Sum of Its Parts? Assessing 'Whole of Government' Approaches to Fragile States.* New York: International Peace Academy, 2007.
11. The ten "Fragile States Principles" are (1) Take context as the starting point; (2) do no harm; (3) focus on state building as the central objective; (4) prioritize prevention; (5) recognize the links between political, security, and development objectives; (6) promote nondiscrimination as a basis for inclusive and stable societies; (7) align with local priorities in different ways in different contexts; (8) agree on practical coordination mechanisms between international actors; (9) act fast, . . . but stay engaged long enough to give success a chance; and (10) avoid pockets of exclusion ("aid orphans"). The first survey to review progress toward implementing these principles focused on six countries and found that while adherence to principles 5–9 was either moderate and improving or good overall, progress on implementing principles 1–4 was only mixed or moderate, and adherence to principle 10 was weak. See Alex Duncan, Gareth Williams, Juana de Catheu et al., "Monitoring the Principles for Good International Engagement in Fragile States and Situations," *Fragile States Principles Monitoring Survey: Global Report*. Paris: Organization for Economic Coordination and Development, 2010.
12. The g7+ is a forum of fragile and conflict affected countries and regions that have united to form one collective voice on the global stage. Its members include Burundi, the Central African Republic, Chad, the Democratic Republic of Congo, Liberia, Nepal, the Solomon Islands, Sierra Leone, Southern Sudan, and Timor-Leste. See www.oecd.org/document/50/0,3343,en_21571361_43407692_46108466_1_1_1_1,00.html (Accessed December 2010).
13. World Bank, *World Development Report 2011: Conflict, Security, and Development.* Washington: World Bank, forthcoming.
14. Brenda Killen and Andrew Rogerson, "Global Governance for International Development: Who's in Charge?" *Development Brief*, 2. Paris: Organization for Economic Cooperation and Development, June 2010.
15. Kang-Ho Park, "New Development Partners and a Global Development Partnership," *Catalyzing Development: A New Vision for Aid*, edited by Homi Kharas et al. Washington: Brookings Press, forthcoming.
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17. From fiscal year (FY) 2004 to FY 2009, the Office of the Global AIDS Coordinator transferred about $4.7 billion to the Centers for Disease Control and Prevention's Global AIDS Program, which had been launched in 2000. Direct congressional appropriations to centers' program changed little over this time, ranging from $125 million to $119 million annually. Including transfers and appropriations, HIV/AIDS spending accounted for nearly 80 percent of all spending by the centers on global health. See Tiaji Salaam-Blyther, "Centers for Disease Control and Prevention Global Health Programs: FY2001–FY2011," Congressional Research Service, April 7, 2010; and Tiaji Salaam-Blyther, "Trends in U.S. Global AIDS Spending: FY2000–FY2008," Congressional Research Service, July 16, 2008.
18. U.S. State Department presentation to Congress on the Quadrennial Diplomacy and Development Review. Washington: Washington Post, November 2010. www.washingtonpost.com/wp-srv/world/documents/state-dept-development-aid-review.html (Accessed November 2010).
19. During a decade when U.S. official development assistance nearly tripled, the Defense Department's share of that assistance increased from roughly 4 percent in 1998 to 6 percent in 2002 and 22 percent in 2005 before declining slightly to 17 percent in 2007. The 1998 figure is drawn from Eric Edelman, "Defining the Military's Role towards Foreign Policy," Testimony for Senate Foreign Relations Committee Hearing, July 31, 2008. The 2002 and 2005 figures are drawn from the 2006 DAC peer review of the U.S. And the 2007 figure is drawn from Steven Radelet et al., "What's Behind the Recent Declines in U.S. Foreign Assistance?" Washington: Center for Global Development, December 2008.
20. Calculations by Samuel Worthington and Tony Pipa based on: International Development Association, World Bank, "Aid Architecture: An Overview of the Main Trends in Official Development Assistance Flows," 43. Washington: World Bank, 2007.
21. International Development Association, World Bank, "Aid Architecture: An Overview of the Main Trends: In Official Development Assistance Flows." Washington: World Bank, February 2007.
22. See www.climatefundsupdate.org/listing (Accessed December 2010).
23. Katherine Klem, "Real Sector Review: Infrastructure, Energy, Agriculture." Presentation from Asian Development Bank. June 2008.
24. At the Group of Eight Summit in Gleneagles, Scotland in 2005, leaders of Canada, France, Germany, Italy, Japan, Russia, the United Kingdom, and the United States pledged to increase aid to developing countries by $50 billion per year by 2010, with at least $25 billion per year going to Africa.
25. World Economic Forum, "Everybody's Business: Strengthening International Cooperation in a More Interdependent World," excerpt from the Report of the Global Redesign Initiative, *Ensuring Sustainability*, 104. Geneva: World Economic Forum, 2010.
26. For example, as noted by Jane Nelson, "In 1970, 70 per cent of resource-flows from the United States to developing countries originated from the US government in the form

of Official Development Assistance (ODA). Today, the U.S. Agency for International Development (USAID) estimates that private capital from American citizens, residents and companies accounts for 85 per cent of these resource flows." Parliamentary Brief, 19. October 2008.

27. Estimates for total corporate philanthropy were based on the aggregate amounts from the following countries: Denmark, Finland, France, Italy, the Netherlands, Spain, Sweden, Switzerland, and the United States. See Hudson Institute, "The Index of Global Philanthropy and Remittances 2010." Washington: Hudson Institute, 2010.

28. For more on these developments, see Jane Nelson, "The Private Sector and Aid Effectiveness: Toward New Models of Engagement," *Making Development Aid More Effective: The 2010 Brookings Blum Roundtable Policy Briefs*. Washington: Brookings Institution, September 2010.

29. Jane Nelson and Noam Unger, "Strengthening America's Global Development Partnerships: A Policy Blueprint for Better Collaboration Between the U.S. Government, Business and Civil Society." Washington: Brookings, September 2009.

30. The recommendation to develop such a "Bizcorps Program" was made by Robert Mosbacher Jr. in the context of U.S. development policy reform. See Robert Mosbacher Jr., "A New Strategy to Leverage Business for International Development," *Global Economy and Development Working Paper* 41. Washington: Brookings, May 2010.

31. Under Cash on Delivery Aid, donors would pay for measurable progress on specific outcomes that had been pre-agreed upon with recipient governments. See www.cgdev.org/section/initiatives/_active/codaid (Accessed December 2010).

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37. Raj Desai and Homi Kharas, "Do Philanthropic Citizens Behave Like Governments? Internet-Based Platforms and the Diffusion International Private Aid," *Wolfensohn Center for Development Working Paper* 12. Washington: Brookings, October 2009.

38. See http://www.gatesfoundation.org/about/Pages/foundation-fact-sheet.aspx (Accessed October 2010).

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2010 Brookings Blum Roundtable Policy Briefs

The 2010 Brookings Blum Roundtable Policy Briefs are available in the September 2010 Brookings publication *Making Development Aid More Effective*, available at www.brookings.edu/bbr.

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Homi Kharas, "Can Aid Catalyze Development?"

Homi Kharas, "Rethinking the Roles of Multilaterals in the Global Aid Architecture."

Jane Nelson, "The Private Sector and Aid Effectiveness: Toward New Models of Engagement."

Margaret L. Taylor, "Civilian–Military Cooperation in Achieving Aid Effectiveness: Lessons from Recent Stabilization Contexts."

Noam Unger, "U.S. Government Support for Development Outcomes: Toward Systemic Reform."

Samuel A. Worthington and Tony Pipa, "International NGOs and Foundations: Essential Partners in Creating an Effective Architecture for Aid."

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