GLOBAL DEVELOPMENT **UNDER PRESSURE**

BROOKINGS BLUM ROUNDTABLE 2011

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Photos on this page by Alex Irvin

Foreword

From August 3 to 5, 2011, around fifty preeminent development practitioners and thought leaders from the public, private, and nonprofit sectors convened for the eighth annual Brookings Blum Roundtable in Aspen, Colorado. Participants from around the globe exchanged ideas and concrete strategies for how to improve international development cooperation and confront the challenges facing development assistance today. By exploring how best to reframe and modernize global cooperation on development, the roundtable serves to promote innovation and best practices, advance policy debates, and identify the most promising pathways for reform.

Rather than summarize the conference proceedings, this report—like those from previous years—seeks to weave together the exchanges and perspectives that emerged during the three-day discussion. It also builds on last year's in-depth examination of the fundamental reforms and changes necessary to improve support for development.

The roundtable was hosted by Richard C. Blum and the Global Economy and Development Program at Brookings, with the support of honorary co-chairs Walter Isaacson of the Aspen Institute and Mary Robinson, president of the Mary Robinson Foundation–Climate Justice. Previous Brookings Blum roundtables have focused on development assistance reform for the 21st century (2010); tackling climate change in the midst of a global economic downturn (2009); building climate change resilience in the developing world (2008); the expanding role of philanthropy and social enterprises in international development (2007); the complex ties between poverty, insecurity, and conflict (2006); the private sector's role in development (2005); and America's role in the fight against global poverty (2004). Reports from these gatherings are available at www.brookings.edu/bbr, along with *From Aid to Global Development Cooperation*, this year's companion set of policy briefs providing timely recommendations for global policymakers (for more information, see page 45).

Acknowledgments

The roundtable was made possible through 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, with additional support from the Bill & Melinda Gates Foundation. The roundtable's organizers extend special thanks to Ariadne Medler and Stephen Magneson for superb event planning and coordination, and to Jenny Alexander, Sandy Burke, Kirsten Gilbert, Kristina Server, Jacqueline Sharkey, and Mao-Lin Shen for ensuring the meeting's success. 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 foreign assistance reform and aid effectiveness.

Adapting to a High-Speed World

"In almost any discussion of development, aid takes the primary focus. Even if you start saying we're not going to talk about foreign aid, we're going to talk about certain other issues, the conversation turns to how many aid dollars can be spent. This becomes less and less practical in the world today. To make development assistance work—and more importantly, development cooperation work—you need an approach that effectively measures aid in a nonsimplistic way."

—Walter Isaacson
President and Chief Executive Officer, Aspen Institute

Photo by Alex Irvin

Global development cooperation is under pressure from accelerating change in the aid ecosystem.

Over the past decade, many developing countries have experienced unprecedented economic growth that has left them more confident about their development trajectories, more assertive in articulating their needs for external assistance, and more capable of funding development from their own resources. Several of these countries are now simultaneously both recipients and providers of international development aid. But the reverse also holds for those developing countries that remain gripped in fragile and conflict situations, where none of the Millennium Development Goals have been achieved. So far, the international community has failed to provide an adequate solution for how these countries can be brought to stability. Meanwhile, the established club of advanced donor countries—a group directly affected by the ongoing financial and economic crisis—is heavily indebted and subject to strong financial and political pressures to cut budgets and development support.

Private philanthropic and civil society organizations have burst onto the development scene on a much greater scale than just a decade ago. Many international nongovernmental organizations have transformed themselves to mobilize resources for their own programs, giving them more independence from government-financed projects. And multinational corporations are increasingly active in development as they do business, and find profit, in emerging markets. Each of these stakeholders must also contend with the pressures imposed by instant, technology-fueled global communications. Ours is an era of fast-moving change and exchange.

In certain respects, the global development community is awake to these shifting currents, which provide a popular topic for discussion and a motive for reforms. Yet both the pace and implications of change have been underestimated, and reforms to existing cooperation structures and activities are not keeping up. Widening gaps between international agendas and reality demonstrate that global development actors are struggling. The 2005 Paris Declaration on Aid Effectiveness and other grand agreements from the past decade have taken years to negotiate, only to then age quickly in the face of rapidly changing contexts and ideas. As an example, it has taken more than a decade to reach—and operationalize—a global consensus to focus development support on low-income, stable countries. However, this framework is of little relevance in today's world in which 90 percent of the global poor live in middle-income countries or in fragile states.

The Arab Spring serves as another example of the failure of development cooperation to keep pace with the rapidly changing context in those countries. Government-to-government aid programs have proven ill-equipped to support development when recipient governments themselves are perceived as part of the problem of underdevelopment, rather than as part of the solution. Following political change, there is pressure on global development players to act quickly and responsibly—not least to make up for the shortcomings of their earlier engagement. Yet donors struggle to act without recourse to country-led development strategies that enjoy broad domestic consensus. In many of these countries, which have considerable domestic resources of their own, development cooperation does not revolve around aid, but requires the coherent application of non-aid instruments.

Clearly the process of reforms across the architecture of aid and development support must accelerate. If the relevance interval of global agreements has grown shorter, development actors should improve their ability to anticipate change and translate their ideas

Photo by Sandy Burke

"We are seeing significant economic growth in Sub-Saharan Africa. This momentum is out of a confluence of factors of which official development assistance is an element, but not the most important. The most important element has been what countries have done themselves in terms of attracting investment and building confidence for investors to bring in their resources."

— Donald Kaberuka
President, African Development Bank

Photo by Alex Irvin

"For political reasons, we are now on the verge of a dramatic digression from the last decade, which has been a golden age of American bilateral assistance—dramatically increasing budgets, dramatically increasing effectiveness on issues like AIDS and malaria, and creative ideas like the Millennium Challenge approach. Retreat is a serious problem because U.S. government attitudes on foreign assistance are an indication of how our political class views our involvement in the world, and whether we're going to be actively shaping security and economic environments rather than reacting to crises."

— Michael Gerson
Senior Advisor, ONE Campaign;
Columnist, Washington Post

more quickly into action. Policy discussions on public-private partnerships, for example, still remain focused on the celebration of project-oriented deals after more than twenty years. What we need, however, is a wholesale shift to a new set of instruments that will enable larger-scale strategic programs.

The good news is that there is massive energy from millions of individuals around the world focused on tackling the challenges of development, which can help extract positive changes out of the present crucible of pressures. A key question is how to best harness that energy and coordinate connections and divisions of labor among the various elements of the modern development ecosystem. We convened the 2011 Brookings Blum Roundtable to address such questions and to discuss the state of global development cooperation, opportunities presented by international platforms for policy dialogue, the lessons of the Arab Spring, U.S. development policy reforms and the challenges of effective communications.


Photo by Sandy Burke

"Sixty-five percent of the world's poor live in middle-income countries, thanks to the economic development of countries like China and India. And these middle-income countries have some confidence as to what they have done over the past two or three decades. And what they need is not necessarily aid in the sense of charity, but things like knowledge-sharing, investment, and trade. So we have to reflect these changes and incorporate them into this global compact for development, recognizing that different actors and different organizations have different roles and approaches."

— **Wonhyuk Lim**
Director of Policy Research, Korean Development Institute


Photo courtesy of Bill & Melinda Gates Foundation

New Partnerships for Development

Photo by Sandy Burke

"Policymakers in India need to say certain things in international forums, without necessarily giving them prominence domestically. But a deeper question is: Does the whole aid coordination effort accord with the specific needs of large middle-income countries that, as we know, also contain large numbers of poor people? There are severe tensions between being compliant with coordination principles largely established among the rich countries and getting on with the job of financial and technical cooperation. And so the consequence of this is disintermediation—basically, if you are from a middle-income country and want things to get done, you are probably better off avoiding the aid coordination community."

— Suman Bery
Country Director, India, International Growth Centre

In today's world, what would effective international development cooperation look like? This question was at the fore of the 2011 Brookings Blum Roundtable, where participants reflected on how international efforts to end poverty can adjust to the changing global economy, a new ecosystem of players and relationships, and emerging threats to well-being.

Part of the answer lies in partnerships—a repeated theme throughout the roundtable discussion. Partnerships are defined not only by their particular objectives but by their membership, and how the stakeholders they bring together interact. Partnerships can combine the resources of different development actors to achieve a greater impact, and do so in a way that respects each actor's unique values and characteristics. Here, we look in detail at three types of partnerships that are transforming international development cooperation: global agreements, multistakeholder alliances, and donor–government compacts.

Global Agreements

Global agreements have a long history of shaping approaches to international development, from the signing of the Bretton Woods agreements in 1944 to the UN's Millennium Declaration in 2000. Although the definition of what constitutes a "global" agreement has evolved—the United Nations Monetary and Financial Conference at Bretton Woods was attended by the 44 allied nations, whereas all 193 UN member countries pledged their commitment to the Millennium Development Goals—the principles behind such partnerships remain largely the same. These include recognition of the interdependence of nations, an appeal to universal values, and the notion of good global citizenship.

Global agreements on development are seen as an indispensable means for generating both political and civic interest, for defining common goals, for addressing collective action problems, and for establishing and empowering the global governance institutions necessary for implementing policies and monitoring results. But at the same time, such agreements are often riddled with flaws, calling into question the vast efforts expended to negotiate and sustain them.

Today's global agreements on development suffer from three particular weaknesses. The first is a credibility problem. International development has gained a reputation as an area where commitments are regularly professed but rarely fulfilled. The year 2010 was supposed to be the one by which the G-8 delivered on its Gleneagles pledges to support Africa's development and the international aid community met the Paris Declaration's targets to improve the effectiveness of aid. In both cases, performance has fallen far short of what was promised. In the case of the G-8, the unwillingness to admit to this failure was striking. The launch of the Muskoka Accountability Report—a halfhearted attempt to inject some rigor into the G-8's accountability for its development commitments by pitting results against targets—simultaneously revealed that the G-8 recognized its credibility problem and lacked the stomach to do anything serious about it. The recent release of the results of the Paris monitoring survey provides a much more honest account of the failure to achieve development targets and is therefore to be commended. However, it is hard to look beyond the dismal results themselves, in which only one of thirteen targets to improve the way aid is delivered was met.

This credibility problem has fed cynicism and fatigue with global agreements, not least among the leaders of the world's poorest countries. Weak results serve as a reminder that the political repercussions of failing to fulfill global commitments on development are typically limited. At the same time, the incentives to agree to new targets remain strong, regardless of whether they are achievable.

A second weakness has to do with roles and responsibilities. The rise of emerging economies and the diverse patterns of growth witnessed throughout the developing world during the past twenty years have exploded the “rich world–versus–poor world” paradigm. As World Bank president Robert Zoellick has argued, the old labels of the “First World” and “Third World,” and the “Global North” and “Global South,” make little sense today and need to be retired. However, existing global agreements have struggled to adapt to this reality. They tend to focus principally on the responsibilities of rich-country partners, while paying short shrift to the contribution that developing countries can make to their own—and each other’s—development. Similarly, agreements have fixated on aid rather than considering other policies that also affect the developing world, in keeping with an antiquated view of development whereby rich countries are obligated to act from a sense of paternalism, pathos, and guilt. Once global agreements have been couched in terms of charity, the failure to meet global targets can hardly be seen as scandalous because any efforts by the rich world, however small, are deserving of credit.

The third weakness concerns the difficulty of achieving global agreements on the provision of global public goods. Efforts to contain a number of emerging threats to development—conflict, climate change, infectious diseases—fit under the rubric of global public goods: goods that are blind to national borders, whose provision tends to be undersupplied because no one can be excluded from their benefits, and that provide opportunities for free-riding in the absence of effective cooperation.

Because these threats are supranational, they can only be addressed through international collective action and are therefore exactly the types of issues for which we need strong global agreements. Yet it is here that negotiations have most often stalled and failed to yield any agreement at all. The perpetually inconclusive Doha Round of negotiations for the World Trade Organization and the disastrous failure to achieve a binding international agreement on climate change mitigation beyond 2012 are two obvious examples.

Photo by Alex Irvin

"The central issue in reconceiving the model of foreign aid is how to channel the huge potential assets available from the private sector. The scale of resources available for private capital investment is now at a level that has no historic precedent."

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

The absence of a clearly defined agenda so soon before next year's Rio+20 summit on sustainable development is also telling.

Can the next generation of global agreements on development address these three weaknesses? This will depend on the ability to forge more robust forms of global partnership than those we have had in the past—partnerships that employ strict accountability mechanisms to ensure that commitments are fulfilled, that embed the notion of common but differentiated responsibilities to account for different country roles, and that compel action in response to global threats, rather than waiting until threats have evolved into full-blown disasters.

Although the G-20's grouping of heads of state is still in its infancy, it provides a promising example of how such a partnership might work.[1] The G-20 embraced the principle of independent monitoring from the outset, acknowledging the need for an increased role for multilateral institutions to oversee the implementation of its accords. This is not simply to further the spirit of multilateralism but also entails a recognition that large, heterogeneous clubs require referees to enable collective action. The group's actionable commitments have been conceived in a way that recognizes the diverse responsibilities of each member, while calling on each of them to act by virtue of its systemic significance. Finally, the G-20's development agenda has centered on global and regional public goods, including global growth and financial stability, food security, and infrastructure for Africa.

Multistakeholder Alliances

Multistakeholder alliances enable collaboration among various types of development actors—official donors, foundations, NGOs, corporations, and beneficiaries—typically within a single sector such as health or education. These range from high-profile international alliances—such as the Global Fund to fight AIDS, Tuberculosis, and Malaria—to less formal local associations between two or more parties.[2]

The case for establishing multistakeholder alliances is twofold. First is the need to bring order and coordination to sector interventions. Alliances can prevent the overlap and waste that occur when actors operate separately, while enabling actors to tackle more difficult development problems through joint efforts. Second, alliances offer the potential for generating increased levels of capital, not just by combining resources from various actors but also by leveraging partners' unique characteristics, such as a greater appetite for risk or an improved credit rating. During the roundtable, we heard of a recent example from Egypt, where an initial $10 million grant enabled the U.S. Overseas Private Investment Corporation to provide $250 million in partial loan guarantees, ultimately unleashing $750 million in loans to support small and medium-sized enterprises.

Both arguments are consistent with the notion of a division of labor that draws on each stakeholder's comparative advantage. In addition, alliances are a reminder of the need to shift the focus of development beyond the official aid sector to draw on the full range of available resources and to enable impact at a greater scale.

Enthusiasm for multistakeholder alliances within the development community has grown in recent years. But despite their promise, these alliances are far from straightforward to form or to sustain.[3] The transaction costs associated with working collaboratively and problem solving are often high, and can be expected to increase with the number of stakeholders. Low levels of trust between parties with little tradition of cooperating—such as private corporations and NGOs—can exacerbate this. Allocating risks and benefits between members can present problems, and the benefits must be large enough so that any one member will feel that it is in its interest to remain in the alliance, net of the costs it incurs. Moreover, there is a balance to be had between the unambiguous benefits of harmonizing certain activities, such as information sharing, while still encouraging diversity and innovation.

The challenge today is to better understand how multistakeholder alliances can be organized to overcome these problems,

and to develop strategies for facilitating the growth of alliances at both a country and a global level.

Donor–Government Compacts

Donor–government compacts are the latest generation of partnership agreements used to guide the delivery of aid in a particular country. They represent a high-level agreement between one or more donor agencies and the recipient state, and thus are often signed at the head-of-state level to convey the partnership's gravity and to maximize the degree of political buy-in.

Compacts embody the principles of effective aid. They seek to empower recipients by coalescing donors behind the government's core agenda and lending support to it through additional resources. They focus attention on the results jointly sought by governments and their donor partners. And they define the roles and responsibilities of government and donor in a quasi-legal form, to promote a sense of shared obligation for commitments.

What, then, is the difference between compacts and earlier iterations of donor–government agreements? First, compacts are shorter documents, which have been stripped of bureaucratic terminology and are therefore more accessible, transparent, and supportive of accountability. Second, compacts are framed in a way that portrays governments and donors as equal partners. This is not just a departure from the era of asymmetric conditionality but also an approach that acknowledges recipients' substantial resources for development and their growing reputation for delivering on commitments. Third, compacts are largely defined in terms of the outcomes being sought rather than the means by which they will be reached, to counter the notion that development blueprints exist and to encourage innovation and country-tailored approaches to achieve results.

Donor–government compacts have been attempted in a handful of countries, where they have shown considerable promise. A more systematic rollout would both free governments and donors of some of the more burdensome technocratic tools that compacts are intended to replace (such as joint country strategies and performance assessment frameworks) and would create a stronger foundation for building government–donor trust.

The Group of Twenty and Development: Opportunities and Challenges

"There have been both huge expectations and also disappointments regarding the G-20, but inventing a replacement is not a good option. The G-20 fills a critical niche and it must succeed in delivering on its promises. Whether it is a question of financial firepower or the financing of global public goods, the G-20 is the right place to discuss global cooperation—in a complementary way alongside the World Bank, the IMF, the OECD, and other organizations—and the idea that somehow development as an issue should be left to the G-8 is dead wrong."

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

Photo by Alex Irvin

During the past few decades, each attempt to meet a newly recognized global challenge appears to have led to the creation of yet another multinational forum or agency—and the G-20 is no exception.

As a leaders' summit, the G-20 was formed specifically to deal with the global financial and economic crisis of 2008–9 and to prevent further crises from occurring through the adoption of coordinated policy measures, such as the expansion of the International Monetary Fund's resources, the development of new rules for financial stability, and the coordination of fiscal policies.

Development was not part of the G-20's initial agenda, but was added at its meeting in Seoul as a way to generalize its "strong, sustainable, and balanced" growth framework to many more countries, while also shifting the group's focus from stabilizing the global economy to addressing its sources of vitality and growth. But "development" is also on the agenda of other international forums—the UN Development Cooperation Forum, the G-8, the OECD's Development Assistance Committee, and the World Bank's Development Committee—so the G-20 has been faced with the difficult task of reinforcing other forums and not replacing them.

The roundtable discussed these issues and tensions. How can the G-20 become more inclusive and provide an accelerant for the ongoing discussions on development? Can it really deliver concrete results? And does its current approach of filling in gaps in the administrative architecture of development cooperation need to be modified?

At the G-20's inception, there was some hope that it would help shape a new development paradigm. The host country at the time of the introduction of the G-20's development agenda, Korea, is known both for its development success and its lack of strict adherence to the development orthodoxy of the Washington Consensus. Other emerging economies belonging to the G-20 also had a variety of interesting development experiences and perspectives to share. But what has emerged in practice is that the development agenda seems to be more relevant for the smaller economies among the G-20 members than for the larger ones. Even among the emerging economy members, attention is heavily focused on domestic rather than international development challenges. For those that are "sovereignty hawks," agreeing to any international norms on development risks constraining their own domestic policy options. Thus, the common interest of all G-20 members in development, though true in the abstract, may be less true in practice.

This was a recurring theme of the discussions at the roundtable. For many G-20 leaders, development is not a central priority and perhaps never will be. Leaders might be concerned about global challenges like climate and trade, which can usefully be viewed through a development lens, but these issues have deliberately been left off the G-20's agenda on the grounds that they are covered in other international forums and through alternative processes. This leaves the subject of development in an awkward position vis-à-vis the G-20. The development issues of key concern are debated elsewhere, while the development issues taken up by the G-20 are not seen by leaders as a priority.

In fact, hopes and expectations are fading that the G-20 will inject new ideas and approaches into the development agenda. According to survey data, some developing country members with large numbers of poor people do not necessarily have the trust of their own citizens, so they cannot truly speak on behalf of the poor. Moreover, the G-20 governments are perceived by outsiders as towers of the elite that fail to capture the imagination and vast energy of social movements around the world.

"There is no other institution out there that's seen as having the same weight to tackle global issues and has the same balance between legitimacy and accountability as the G-20. Without the G-20, you would have to reinvent some configuration of roughly the same countries to tackle any big global challenge, whether it's climate change, whether it's a double-dip recession, whatever it may be. And so the question is, what are the ingredients and mechanisms by which this group can become more functional and effective?"

—Mark Suzman
Director, Global Development Policy & Advocacy,
Bill & Melinda Gates Foundation

Photo by Alex Irvin

The risk is that if the G-20 cannot better engage with the myriad voices on development, it will lose both support and its ability to serve as a consensus-building body that can help raise the political profile of development by linking it with efforts to support a stronger world economy.

The G-20 has recognized the importance of inclusion and legitimacy and has made considerable efforts to reach out to others in a broader process of consultation. It organized an NGO meeting in parallel with the leaders' summit in Seoul, as well as a Business Twenty forum of corporate leaders. Many bilateral discussions were held between the host country and non-G-20 members. Individual G-20 members organized domestic forums and conferences to engage with others. But the sense was that these structures still need refining to improve their legitimacy and inclusion. The G-8, with its focused membership and project-centered approach to development, provided easier hooks for outsiders compared with the G-20.

The criticism of the G-20 would fade if it was seen as providing tangible development results. However, the G-20 never aspired to be an implementing body. Rather, it set out with a bold vision of dealing with systemic issues rather than projects, using its political clout and visibility to catalyze change, force coherent policies across instruments, and identify and overcome institutional blockages to development. Its instruments were to be the reform of multilateral agencies, new public–private partnerships, the sharing of development knowledge and experiences, and a stronger focus on growth.

The first tests of the new G-20 approach are in infrastructure and in agriculture and food security, the priority issues taken up by France for the 2011 G-20 Summit in Cannes. In each case, the early reports of likely accomplishments have received a mixed review. On the one hand, there has been progress in diagnostics and plans. On the other hand, the scope of the actions being proposed seems to be limited to what is easy to do rather than on what is important to do to catalyze real, systemic change.

With respect to infrastructure, for example, little has been done to streamline overly bureaucratic processes in the multilateral development banks, like safeguard policies, nor has governance been changed. Support for capital increases and concessional fund replenishments have been forthcoming, but the multilateral development banks would still not be sufficiently well resourced to address the very large infrastructure gap in a significant fashion. New ideas like use of foreign aid for project feasibility studies have not gained traction.

Similarly, with respect to agriculture and food security, the easy issues on improving market information systems are on the table, but tough issues like agricultural trade, new resources for investing in smallholder productivity, and biofuel subsidies have been deferred.

The risk is that in practice the G-20 will be perceived as a way of avoiding the big issues rather than as a forum at the highest political level that can craft agreements to break through political stalemates. If the G-20 really is committed to delivering systemic change in key result areas, it cannot maintain its posture of leaving sensitive, but important, issues off the table.

This is very obvious in two areas. First, the role of official development assistance (ODA) in G-20 discussions remains very unclear, but many of the challenges of development call for different approaches to ODA and, in some cases, more ODA. Both agriculture and infrastructure are areas where additional resources are needed to catalyze change. Guarantees, advance commitments, challenge funds, corridor approaches, and other examples of successful deployment could be expanded.

Second, without bringing trade, climate, sustainability, and some aspects of security into the discussions, it will not be possible to have a coherent policy approach toward development issues. As issues become highly intertwined, it becomes more important than ever to discern how the agendas in different international forums relate to each other. In 2012, for example, within the span of one month, the United States will host the G-8 meetings, Brazil will host the United Nations Rio+20 Conference

on Sustainable Development, and Mexico will host the G-20. Within each country, this array of meetings taxes beleaguered civil servants and raises internal rivalries, thereby weakening the ability to deliver results from any of the gatherings.

While holistic approaches are needed to address any individual development challenge, results are unlikely to be achieved without a strong focus. Thus, the G-20 must combine a narrow set of priorities with a "no off-limits" approach to delivering results. Currently, the G-20's development agenda, with its nine pillars, is seen as too diffused to have an impact. A complex process of multiple work streams across development is evolving into a bureaucratic mess. Progress is hard to achieve when intellectual resources and time are spread thin. A vicious cycle could evolve, in which development ministers or other high-level politicians shy away from the preparatory G-20 meetings because they are unconvinced that their presence will result in any tangible progress, and then because of their absence it proves to be impossible to reach a binding agreement on important solutions. Although the G-20's development ministers met for the first time in Washington in September 2011, along with finance ministers, their communiqué simply endorsed the recommendations of earlier preparatory meetings.

High-level political support is vital for the development agenda in order to manage the expectations of diverse constituencies for development within each G-20 country. Already, the narrative is being changed in a positive way—from thinking about development as welfare to an approach which emphasizes that "support for development is an investment in the prosperity of all countries."[4] But achieving systemic change will require a consistent conversation and a continuity of effort. The current G-20 structure, with latitude on the agenda being given to host countries, does not ensure this. High-level political representation could help keep the G-20's development focus on food security and infrastructure in Mexico; but with only a few months between the 2011 and 2012 summits, it might prove difficult to advance the agenda in these areas in a meaningful way. Yet if Mexico were to take on a completely different set of topics, or drop development entirely from the summit agenda next year, it could be a sharp and damaging blow to the process.

Strengthening the G-20's development agenda by dealing with the issues of legitimacy, results, and architecture will take leadership. The United States, because of the scope of its influence and relationships, could play this role. It has certainly embraced the concept of the G-20, and it pays more attention in its own internal deliberations to the views of other countries, including some of the emerging economies. But development has not been at the forefront of the United States' strategic priorities, and the U.S. has also refrained from leading on the other crucial global challenges of trade and climate change, leaving them as zombie issues—neither dead nor alive, but just staggering on, scaring people. The worry is that development in the G-20 could also end up a zombie.

What comes next? It is important for the G-20 to pay more attention to making its processes of consultation more inclusive. A priority must be to give greater voice to poor countries, to poor people, and to businesses that are prepared to operate in poor environments. At the same time, the G-20 needs to become bolder in its actions. It could do far more to shake up the multilateral development banks to make them more appealing to partner countries, to reinforce calls for more resources for development, and to present a truly coherent package of policies to achieve results. Breaking the impasse on trade, even in a limited way, would be a concrete example to demonstrate effectiveness. Finally, the G-20 must clarify its own agenda vis-à-vis those of other forums and then develop an administrative architecture to deliver the kind of institutional change needed to get large-scale results.

The Politics of Effective Aid: Toward the Busan High-Level Forum

"The high-level forum process, which started in 2003, is about producing political will to overcome bureaucratic constraints and resistance to principles that we know will produce better development results. We know, because we have the evidence."

— J. Brian Atwood
Chair, Development Assistance Committee, Organization for Economic Cooperation and Development

Photo by Alex Irvin

The third session of this year's roundtable focused on the upcoming High-Level Forum on Aid Effectiveness, which will take place this November in Busan, Korea.

There, government leaders from donor and recipient countries, aid agency heads, and representatives of the corporate and philanthropic communities will gather to reflect on past efforts to improve the impact of foreign aid and to seek a new global agreement that can revitalize efforts to create a more effective international aid system.

There is general agreement that whereas past high-level forums have delivered some important achievements—foremost among them, the definition of universal principles for making aid effective; and the establishment of a monitoring framework to promote accountability, knowledge, and learning—overall progress on aid effectiveness has been limited, as evidenced by the poor record of performance against the indicators and targets agreed to in the 2005 Paris Declaration. Indeed, many of the old problems that have come to characterize aid giving still abound. This suggests that a simple rerun of the "Paris approach" at Busan will be incapable of unleashing the kind of transformational change necessary to address the widespread weaknesses that hamper aid management and delivery.

The participants in the roundtable identified two related obstacles to aid effectiveness that past high-level forums have been unable to address: politics and incentives.

The Obstacle of Politics

One of the criticisms of the Paris approach is that it offered a bureaucratic solution to a problem that is largely political.[5] Many of the inefficiencies in today's aid system are manifested as bureaucratic failings. These include the centralization of decisionmaking in aid agency headquarters, red tape and the heavy burden of compliance, and the varied arrangements across aid agencies for planning, funding, disbursement, monitoring, evaluating, and reporting. Similarly, a number of useful bureaucratic innovations have been advanced to improve aid's impact. These include online data portals to report and track aid flows, and standardized assessments of procurement and public finance systems.

However, the underlying causes of aid inefficiency principally concern politics. For donors, decisions on how to allocate and deliver aid are shaped as much by political expediency as by technical judgments. As for recipients, strong political leadership is ultimately the most important determinant of whether aid will be effectively used in each country. This point was echoed in a new evaluation of international experience in implementing the global aid effectiveness agenda, which "repeatedly found that the key driver for successful reform in countries and donor agencies has been high-level political engagement and support."[6]

Despite this, previous efforts to negotiate global deals on aid effectiveness have centered on the bureaucratic aspects of aid and have interpreted political problems in bureaucratic terms. For instance, strong political leadership by recipient countries is implicitly acknowledged in the aid effectiveness agenda, which describes country ownership as the lynchpin of all other effectiveness principles. Yet the same agenda strips ownership of its political meaning by defining it in terms of the capacity of recipient governments to write a strategy document, rather than its ability and willingness to make smart and often difficult decisions and to maintain a strong development focus.

Perhaps for this reason, the aid effectiveness agenda has

"In Busan, we must do away with the notion of aid as aid, and replace it with the idea of aid as investment. Whether it's investment in human development, or investment in infrastructure, our new thinking must focus on aid's catalytic effect by asking how it can successfully leverage additional flows and longer term returns."

—Ngozi Okonjo-Iweala
Managing Director, World Bank

Photo by Alex Irvin

struggled to attract significant political interest and engagement internationally. This is particularly the case on the donor side. For all their good intentions, few heads of aid agencies have had the domestic political cover, or the backing of their governing board in the case of multilateral agencies, to tackle the underlying political challenges that beset aid management. Indeed, the same evaluation described one of the shortcomings of the Paris Declaration as "its interpretation and use mainly as a 'technical' and 'process-oriented' bureaucracy-to-bureaucracy agreement."

In its defense, the political challenges of aid effectiveness were much less apparent in 2005 than they are today. Politics has always been a factor in aid, but there was a justifiable sense at the start of the new millennium that the aid system had matured from its Cold War origins and was becoming more professional and focused on poverty reduction. However, the experience of the past six years has served as a reminder that despite these trends, the influence of politics in the aid system remains impervious.

The Obstacle of Perverse Incentives

A related problem is the panoply of incentives that shape aid decisions—many of which militate against greater effectiveness. These incentives affect the hierarchy of decisionmakers that guide aid management and delivery, ranging from political leaders to senior managers of donor agencies to project managers to contractors.

Some of the perverse incentives acting on decisionmakers are well known. For the political leaders of donor countries, these include the use of aid to support nondevelopment objectives, a preference for achieving "visible" results, and a time horizon limited to the political cycle. For the senior manager of donor agencies, such incentives include an extreme aversion to institutional risks (including fiduciary and reputational concerns) relative to the risk of development failure in partner countries, a preoccupation with drawing down fully on budgets, and an insatiable appetite for introducing new reforms. Project managers are driven by a desire to increase the size and profile of their projects and to maintain good relationships with counterparts in recipient institutions. Finally, contractors are motivated by the desire to obtain contract extensions, to increase donors' and recipients' dependence on their services, and to expend minimal effort as characterized by traditional principal–agent models.

The importance of incentives was identified in the Paris Declaration, which cited the importance of "reform procedures and strengthened incentives—including for recruitment, appraisal and training—for management and staff to work toward harmonization, alignment and results."[7] However, no mention was made of the incentives that operate on actors working outside of aid agencies. Moreover, it appears that agencies have been unsuccessful in putting in place the kinds of deep institutional reforms that would be required to alter staff behavior.

Recommendations for Busan

Can the Busan High-Level Forum address the challenges of politics and perverse incentives that undermine aid effectiveness and have prevented previous global efforts from delivering on their promises of improving aid's impact? Roundtable participants suggested two changes that could help this year's forum tackle the missing political dimension of aid. First, the Busan forum should be explicitly framed as a political event rather than a technical meeting, which would mandate attendance by high-level political representatives capable of negotiating a far-reaching and effectual agreement. The recent and early announcements by U.S. Secretary of State Hillary Clinton and UN Secretary-General Ban Ki-moon of their intentions to travel to Busan is a welcome precedent that should help set a different tone at this year's meeting.[8] Second, the forum's outcome document should begin with a political declaration that is free of technical jargon. Technical elements should be relegated to appendixes so they do not detract from this initial statement.

These changes may simultaneously help to address another

Photo by Sandy Burke

"We do need to move away from high levels of abstraction toward more specificity. One way in which that can be supported in Busan is for the organizers to make sure that information is readily accessible about where money is currently being spent. There is an opportunity to agree on new global norms with respect to transparency, standards that don't imply large budget asks, but significantly affect aid effectiveness."

— Ruth Levine
Director, Global Development and Population Program, William and Flora Hewlett Foundation

challenge of this year's forum: the need to incorporate new donors from emerging economies into the global dialogue on aid effectiveness. Political figures from both new and old donors may be better placed to negotiate a common agenda than senior bureaucrats who are more focused on the differences in their approaches to and modalities of aid giving.

If Busan succeeds in achieving deeper political support for aid effectiveness than previous forums have, this may provide the authority for more far-reaching reforms that can address the incentive problems that beset the international aid system. However, the biggest obstacle here may be an insufficient understanding of the complex incentive structure that underpins international aid and thus what reforms are most likely to be effective. The 2009 winner of the Nobel Prize in Economics, Elinor Ostrom, led what may be the most penetrating analysis of the incentive system that drives aid management and delivery through a 2001 study of the Swedish International Development Cooperation Agency and its aid programs in India and Zambia.[9] This study mapped out the various actors involved in delivering development, the relationships between actors, and the motivational, informational and power problems that characterize these relationships. This enabled an accurate prognosis of the sustainability problems that undermined the agency's aid efforts. Similar systematic reviews of other aid agencies to open up the black box of internal decisionmaking would undoubtedly yield additional important and context-specific findings. The Busan forum provides an opportunity to encourage more agency reviews and to incorporate elements of this approach into the DAC peer review process.

Where reforms have already been introduced within aid agencies, they should be evaluated and their lessons shared. These reforms include extending the duration of postings overseas, decentralizing authority from agency headquarters to country offices, and rewarding donor staff for both successful innovations and admitting failures.

Lessons for Development from the Arab Spring

"The events of the Arab Spring are a reminder to all of us of the universality of human rights. When people came out into the squares and streets, they did so demanding human dignity, fairer justice, participation, and very importantly, jobs. This is a language that has been forgotten in many parts of the world and that the aid system too has chosen to ignore."

— Mary Robinson
President, Mary Robinson Foundation–Climate Justice; Former President of Ireland

Photo by Sandy Burke

When the democratic movements in the Arab world began to erupt in late 2010 and early 2011, most development agencies were caught by surprise.

The retrospective diagnosis of cronyism, corruption, and exclusion of large segments of the population, especially youth, suggests that progress on inclusive economic development had not been made during the last decade, despite encouraging aggregate metrics and optimistic reports and studies by international financial institutions.

For the international development community, two big questions arise: What general lessons about development cooperation can the community learn from the mistakes that it obviously has made in the Arab world in the past? And against the backdrop of the history of the community's engagement in the region, and the mistrust and skepticism that have arisen, what can the community now do to best support the economic and political transitions that are under way?

Development Cooperation's Failings

In retrospect, it is possible to see that many red flags were ignored by the development community, especially from evidence on governance, institutional effectiveness, well-being, and political freedom. These measures are not yet well accepted in development circles; and because of difficulties in measurement, they have been treated with skepticism or dismissed in some quarters. But in the case of the Arab world, the metrics appear to have performed better than traditional economic variables in explaining what was really going on. The traditional narrow metrics of economic development—like the growth of gross domestic product, foreign direct investment, and strength in the balance of payments—ignored the signs of deterioration in the deeper, longer-run underpinnings of sustainable progress that other metrics were revealing.

The first lesson, then, is the importance of sound diagnostics and empirically based evidence of progress that goes beyond economics to also include social and political issues. Some international financial institutions are less able to undertake such multidisciplinary analyses and are less comfortable using them as a basis for action, because they have traditionally tried to focus their activities on economics alone.

But if development and democracy are closely intertwined, as seems obvious in the aftermath of the Arab Spring, how should this insight be applied in practice? The crude efforts to build democratic institutions through development assistance do not seem to have worked. Many recipient governments view such activities as intrusive, and the efforts can create a backlash. The international community must be humble enough to recognize that an atmosphere where social conservatism and support for sharia law coexist with the values of accountability, transparency, and democracy may reflect the choices freely made by Arab citizens.

The biggest weaknesses in the Arab world are institutional—national bodies with weak accountability mechanisms and ineffective bureaucracies. But the best way for the development community to understand and strengthen these institutions is to work through them—an approach that reinforces the institutions' roles and seeks reform from within. Such a "use of country systems" is, however, the exception rather than the rule in development circles. It is constrained by counter-pressures to demonstrate results and to have a clear chain of control that can indicate how well development resources are being used for the purposes intended. As a result, development cooperation is often delivered through mechanisms that set up parallel structures and

"It is an explosive combination of bad economics and bad politics that explains the revolts that we saw in Tunisia, Egypt, and Libya. This combination lies behind the growing problem of systemic corruption, the increasing reliance on repression through the national security apparatus, and the obsession with stability and maintaining the status quo."

— Tarik Yousef
Chief Executive Officer, Silatech

Photo by Sandy Burke

thus serve to undermine existing national institutions in partner countries.

Another aspect of the Arab world's institutional weakness is its poor democratic governance. The standard donor response to this problem is to exercise greater selectivity in aid, denying or limiting assistance to the most authoritarian and repressive regimes. But current aid trends are moving away from this approach. More than half of all aid is destined for countries with poor governance. Some agencies, like the U.S. Millennium Challenge Corporation (MCC), do use governance criteria in selecting countries for assistance, but geopolitical pressures tend to dominate the selectivity debate. Even harder is using ex-post selectivity, by withdrawing aid if aid programs are consistently failing and progress has not been made in meeting predefined governance or development goals. Aid remains an instrument of realpolitik, and the willingness to say "no" to some regimes is low.

Because of these considerations, it is difficult for aid agencies and donor countries to be consistent in their approach. The Arab world is far from monolithic, but in recent years donors did not respond in a consistent way to differences in governance. For example, the nature of donors' relationships with Saudi Arabia and other Gulf monarchies with archaic governance structures may have undermined the credibility of donors and consultations designed to improve governance elsewhere in the region. Donors cannot simply treat each country by itself; they must have a consistent approach to the region or else they will fail to help bring about stability and development. Common aspirations for dignity, democracy, and inclusion bind the region, and as long as they are still suppressed, the absence of these factors is a source of instability that could prove damaging throughout the region.

The Arab revolutions were led by empowered people, but the nature of development cooperation has been largely from government to government, which has resulted in a gap between donors and the people they have been trying to help. One general lesson is that new mechanisms are needed to bridge this gap. Simply channeling money through civil society organizations is not enough. These organizations can easily become aid dependent, with activities following donor fads rather than the local community's priorities. Support must occur in a way that allows civil society organizations to retain their independence and to continue to contribute to the national dialogue.

A New Regional Engagement

Looking ahead, there will be conflicting pressures on the members of the international community in restructuring their support programs in the region. The first issue is how to deal with uncertainty and political turmoil. There is broad agreement that transition paths are unlikely to be linear—the twists and turns of politics are already evident. In such circumstances, no clear long-term vision has been articulated as to the type of economic model that should be followed. In this respect, the current Arab revolutions cannot be compared with those in Eastern Europe in 1989, where a consensus was rapidly found to move quickly to create a democratic, market economy, and where many countries soon expressed a determination to join the European Union. Today's Arab economic nationalism suggests that a less clear-cut vision could emerge, with mixed views on the role of the state or the military in guiding development and taking responsibility for a fair distribution of economic benefits. Key rival theories about alternative economic transition paths have yet to be articulated and debated. For donors accustomed to notions of "country ownership," it can be difficult to engage with interim governments that do not have the legitimacy to determine long-term programs of economic development and where the balance between preferences for stability, growth, fairness, populism, immediate rewards, and investment in long-term opportunities must be carefully constructed.

There is a danger that a lack of vision and political uncertainty

Photo by Alex Irvin

"Democracy has to deliver because people want to vote and eat. Political and economic development go together. A key question in the Middle East right now is how to make governance work, and how to get from people protesting in the square to a functional institutional structure. You cannot run Egypt from Tahrir Square."

— **Madeleine K. Albright**
Chair, Albright Stonebridge Group;
U.S. Secretary of State, 1997–2001

Photo by Sandy Burke

"In Tahrir Square, you get both a physical place and a virtual space. These protests took place on Twitter and Facebook and Google Maps, informed by Al-Jazeera and other satellite systems that are not as well known in the West. But the challenge now is to build the cultural and political institutions that can embody the consciousness we've seen emerge in the region. The absence of these strong institutions will be a difficult barrier to overcome, but I'm hopeful."

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

could provide cover for disengagement and inaction, in an environment where the international community is distracted by other problems. Both the United States and Europe are now facing their own economic and political challenges, and their ability and willingness to help forge strong enough relationships in the Arab world to overcome inevitable short-term setbacks will be tested.

However, the international community cannot just take a back seat. The economic costs of the Arab world's transition are highest now, so early support is most valuable. Some countries may yet see a more severe economic crisis. They have muddled through the early transition, but confidence could erode quickly if the political situation deteriorates. Yet at the same time, if the international community does not coordinate its activities and seek to maximize synergies, there is a considerable risk of overlap. Moving fast often means moving alone. But long-term results are more likely to come from partnerships. In countries like Morocco and Tunisia, where there has been comparatively less of a break from the past, it is simpler to move rapidly. But in Egypt, Libya, and perhaps other countries that are still engaged with political transitions, the situation is less clear. This is not the first time the development community has been faced with these kinds of decisions. Unfortunately, its track record is mixed, and there is no clear guidance from previous episodes to guide its engagement in the current situation. The risk is that the political imperative to do *something* will overwhelm the economic imperative to do good development work.

Mistakes can also be made, if there is early engagement without the proper diagnostics and engagement modalities. The difficulty, of course, is that many groups are not organized, so the diversity of the demonstrators in Tahrir Square is far greater than the diversity of the groups with which the development community engages. New programs like Partners for a New Beginning—that involve the private sector, people-to-people exchanges, women, and youth—are being tried and tested, but need to be evaluated before they can be rolled out. In any instance, what is needed is a deliberate process whereby programming is phased

Photo by Alex Irvin

"Today's situation cannot be understood without a regional context. All the efforts that have been made thus far have been done on a country by country basis. Unless we consider regional issues, we are bound to fail."

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

in slowly to test the reform commitment and the achievement of results. This approach has the added benefit of blocking clientelism and capture by elites, because it takes an explicitly evidence-based approach to development cooperation.

Countries in the region lack capacity and experience in many areas; small and medium-sized businesses, entrepreneurs, government bureaucracies, and civil society organizations are all trying to better organize themselves to play their role in the economic transitions. They are eager to receive support, but many are best organized at the municipality and community levels where the international community has less reach.

Capacity building cannot be effective if it is only pursued through the supply side of improved service delivery or less corruption. There also needs to be a demand for better institutions, more accountability, and more transparency. This might mean supporting greater analytical capability and reinforcing the independent monitoring role of think tanks and civil society groups.

With such a vast agenda for the international development community to cover and many milestones to avoid, it is critical to decide on the objectives of cooperation. Some prefer stability; others are more eager for change. Balancing these voices when there are few institutions through which disparate voices can make themselves heard is a central challenge for the Arab world's political and economic transitions.

Photo by Alex Irvin

"Governance and accountability have to be at the center of the relationship between the international community and the Arab countries in the future, and conditionality is essential. Given the clear history of mistrust and skepticism on the part of the population, because of the association of Western powers and their policy agendas with the rulers of corrupt regimes, there must now be a patient and sustained engagement with consistent messages and a system of reward, possibly something along the lines of how the EU has dealt with Turkey."

— **Ragui Assaad**
Professor of Planning and Public Affairs, University of Minnesota

Realigning U.S. Assistance to Harness Private Resources for Development

"A key issue for this community moving forward is: How do you get foreign assistance working with the private sector? How do you use that money effectively? Because it is a lot of money that can be used to do a lot of good. And if we don't start to figure out how to do that, you have a bunch of people in Congress who would just be delighted to take that budget down to nothing."

— Richard C. Blum
Chairman and Chief Executive Officer, Blum Capital Partners, LP

Photo by Alex Irvin

Today there is a greater recognition than ever before that aid must leverage private resources to achieve the maximal outcomes in economic growth and human development.

This topic has arisen repeatedly in conference discussions on aid reform, including at the roundtable.[10]

Within the current U.S. context of budget cuts following a decade of increases in government spending on global development assistance, it is easy to conceive of private sector leverage as a convenient means to complement constrained public resources. The impact of the private sector on the development of countries and on the opportunity and well-being of their citizens, however, is far more profound. As the U.S. government reforms its policies and operations for global development, it must demonstrably retool its efforts to take this reality into account. Recent shifts in policy and approach point in this direction, but further steps are necessary.

The transformation in public-versus-private financial flows from the United States to developing countries is well documented. The largely public makeup of flows forty and fifty years ago has morphed in recent decades into a broader ecosystem that is now overwhelmingly dominated by private resources.[11] This expansion of private activity is not limited to financial investments by for-profit businesses or even the donations of corporations' foundation arms. Nonprofit private development assistance also includes other foundations, most notably the Bill & Melinda Gates Foundation, and for generations international NGOs have been an integral component of global development efforts, particularly in delivering aid and advocacy. In recent years, their numbers have swelled, and the size and scope of the biggest agencies have grown considerably. Having attracted far greater amounts of private contributions, many of the most influential United States–based relief and development NGOs are less and less reliant on the U.S. government to fund their efforts.[12] As these actors have become potential partners for official aid institutions at the strategic programming level as well as the project implementation level, they have also become better organized and coordinated through NGO coalitions.

In addition to partnering more systematically with international private actors, support for sustainable development in any developing country requires collaboration with local businesses and civil society organizations rather than just a narrow relationship with state institutions. Over the long term, it is these enduring elements of broader society that will continue to drive growth and accountable governance.

The shift in the global development landscape requiring even greater linkages between public and private actors is not a sudden revelation within U.S. foreign policy circles. The United States has long been an international leader in this area. For instance, forty years ago, the U.S. Overseas Private Investment Corporation (OPIC) was spun off from the U.S. Agency for International Development (USAID) to become its own agency, supporting American investors in emerging markets through financing, guarantees, and risk insurance. Then in the late 1990s, USAID established its own instrument—the Development Credit Authority—to stimulate lending through risk-sharing guarantees to help underserved borrowers in developing countries meet loan requirements. A decade ago, USAID also launched the Global Development Alliance, a formal mechanism to identify and arrange public–private partnerships. Today that capacity resides within the agency's new Office of Innovation and Development Alliances, and this division has recognized the value of focusing on companies' core business interests as well as the need to look beyond singular


Photo by Alex Irvin

"There have been big efforts to mobilize civil society organizations and businesses, but the familiar pattern is that you have massive preparatory structures involving governments, and then there is an attempt to get the endorsement and support for a prenegotiated agenda, at quite a late stage, from business and civil society. But as we move toward implementation and operation, I think the skills and experience of business are extremely relevant, and the sector needs to be engaged and brought into the discussion from the start."

— Ann Grant
Vice Chairman, Standard Chartered Capital Markets, Ltd.

project-based partnerships with corporations and NGOs to have a greater impact.[13] OPIC, the Development Credit Authority, and the Global Development Alliance are just a few examples of the many ways in which the U.S. government seeks to link up with private sector actors for development.

As a result of a wide-ranging study of U.S. global development policy, President Barack Obama issued a policy directive in September 2010 with serious implications for the relationship between the global development efforts of the U.S. government and private actors. In accordance with this directive, the U.S. government has pledged to "elevate broad-based economic growth as a top priority" because such growth is "the only sustainable way to accelerate development and eradicate poverty." Economic growth and other priority goals for global development policy are to be met through a new operational model and a modernized architecture. These pillars of Obama's approach are intended to elevate development within U.S. policy decisionmaking, generate greater coherence across the government, and make the United States a better partner that effectively leverages support.

Signs of this agenda are evident. To increase private sector engagement and the investment associated with the U.S. presidential initiative on global hunger and food security, USAID's new Bureau for Food Security has a Private Sector and Innovation Office steering its own sectoral hub for public–private partnerships in the initiative's twenty pilot countries. And because USAID has been driven to form more effective partnerships in the interest of sustainable development, it has also been revamping its procurement procedures toward more direct relations with local businesses, NGOs, and partner government systems as opposed to an overreliance on large pre-competed contracts with United States–based implementers. In the areas of innovation, science, and technology, USAID is actively reaching out to private development actors through new research partnerships, grand challenges, and entrepreneurial investments. The Millennium Challenge Corporation, which served as an inspiration for various elements of Obama's development policy directive, including the focus on economic growth, is also seeking to expand its linkages with businesses and NGOs through its own innovation initiative.[14]

Underlying these and other signs of change is the fact that many of the politically appointed leaders of U.S. development agencies have had defining experiences that reflect the private facets of the development ecosystem—as foundation executives, as NGO leaders, and as consummate experts in corporate and international finance. Yet despite their efforts, the reorientation of the U.S. global development bureaucracy to leverage the private sector and focus on broad-based economic growth is a sluggish and challenging affair. Development approaches that strategically leverage the assets of private businesses and civil society organizations—in a manner well beyond more traditional and transactional project implementation—are still too often ignored or viewed as marginal by key officials shaping policy and operations in both Washington and the field. Instead, such efforts should be recognized as core elements of development programming.

There are further ways to structure U.S. assistance to harness the energy and value of private development efforts. When this subject arose within a discussion of the roundtable on implementing U.S. development reforms, two ideas emerged.

The first idea centered on convening representatives of businesses and civil society organizations more strategically and proactively across sectors to discuss how to better align investment and growth strategies with development objectives. At the highest levels of policymaking, this challenge may be partly met by properly establishing the Global Development Council—an advisory body mandated by President Obama's development policy directive that will be made up of "leading members of the philanthropic sector, private sector, academia, and civil society."[15] At the country level, however, efforts should be made to regularly and intensively convene business and civil society representatives to focus on equitable economic growth strategies. To be practical, this should be piloted in countries where there is already a serious

"What we need is a mechanism to link and leverage parallel structures of private aid flows around the same objectives as official flows. And we must improve the transparency of these aid flows. At InterAction, we've mapped the food security investment of the U.S. NGO community worldwide. About 13 percent of that overlaps with the activities of USAID; the rest is privately funded. This alignment of aid resources, including the mapping of private resources, is sorely needed and should be a priority at Busan."

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

Photo by Sandy Burke

combination of policy commitment and opportunity for such growth. In the context of U.S. government–led efforts, it is logical, then, to look toward countries selected for the new "Partnerships for Growth" approach.

Partnerships for Growth is an effort by the U.S. government to practice focused support for economic growth in promising environments marked by good governance and in a manner that is jointly planned with the host government. It is an approach that seeks to embody principles of development effectiveness, including the application of policy coherence, country ownership, and selectivity. It began quietly this past year in El Salvador, Ghana, the Philippines, and Tanzania. In each of these four countries, agencies of the fragmented U.S. government development bureaucracy have been working closely with each other and with a team of counterparts from that partner government to jointly identify binding constraints to growth and an ensuing plan of action.

This joint approach on the part of the U.S. agencies, with a focus on policy reforms as well as instruments of assistance, represents a welcome change. The State Department led the interagency process to make evidence-based selection decisions; the MCC, a model for much of this new approach, took the lead in analyzing binding constraints; and USAID has been steering the joint action plans. Decisions related to Partnerships for Growth have been brought before an interagency policy committee on global development that involves at least sixteen agencies of the U.S. government.

This process has been highly coordination intensive within the U.S. government and between the United States and selected partner governments. And yet, to catalyze sustainable and equitable economic growth requires proactive strategic engagement with international and local businesses and civil society organizations across sectors for input, buy-in, and action. These groups can help identify constraints and support joint plans across the spectrum of challenges, whether they are related to security, transportation, energy, land access, water rights, taxes, or any other issue. The U.S. government should work with the selected developing country governments to advance this more ambitious approach. According to U.S. government officials, some outreach efforts have been made—especially in El Salvador, where the U.S. Embassy facilitated multiple dialogues with individuals from the private sector to discuss binding constraints to growth—but more consistent engagement is desirable.

Within the four selected countries, it may be best to expand on existing efforts by better connecting the dots between the agenda of Partnerships for Growth and those public–private partnerships for development that involve the U.S. government and other partners. Through its Feed the Future initiative, for example, USAID is partnering with multinational corporations and providing debt guarantees to local firms in the food and agriculture sectors to spur growth through value chains. This is already happening in Tanzania and elsewhere, so this set of working relationships can possibly serve as one platform to better engage the private sector in the planning and execution stages of the Partnerships for Growth agenda.[16] If the Partnerships for Growth approach is to be repeated and refined to incorporate more systematic engagement with both businesses and NGOs, it is worth noting that the problem identification phase calls for highly inclusive consultation, whereas a more targeted, sector-based approach to engagement may be well suited to an action plan focused on a specific binding constraint to economic growth.

The second idea that arose at the roundtable is directly related to the challenges of internal coordination within the U.S. government. Although the coordinated, interagency nature of the Partnerships for Growth approach is promising, the fact that it is new and limited to a few pilot countries is also cause for concern. This joint approach is the exception rather than the rule. Because many different agencies are responsible for aspects of development policy across the U.S. government, coordination can be a serious challenge, and gaps, overlaps, and disunity can result. With a focus on more effectively leveraging the private sector, Photo by Alex Irvin

"We need to develop mechanisms of the ecosystem to incentivize private sector investment. A tiny bit of grant money to cover project preparation, technical assistance or first loss enables equity money to invest, which in turn can unlock large sums of commercial financing. These pieces need to be aligned, with terms agreed in advance, rather than trying to cobble them together deal by deal. OPIC plays a key role in this ecosystem and it generates income for the international budget every year."

— Elizabeth Littlefield
President and Chief Executive Officer,
Overseas Private Investment Corporation

one idea is to better align the instruments at the government's disposal, such as debt financing, loan guarantees, risk insurance, equity investments, and technical assistance. These tools could be brought together into ready-made packages to provide incentives that catalyze much larger private sector investments. As an example, it was noted that in contrast to the more ad hoc current approach to deal making, such pre-arranged packages may be the only way to truly scale up financing to mitigate climate change in line with international commitments.[17]

Given the portfolio of instruments that would necessarily be involved and the specific constraints that limit different agencies' maneuverability, this vision would require closer collaboration between agencies, especially OPIC and USAID. The existing focus of U.S. development operations on specific countries and sectors is driven by pressing fragile state engagements; the Partnerships for Growth approach; and signature presidential initiatives in the areas of health, climate, and food security. However, agencies like OPIC, USAID, and the MCC could still do more to align priorities. They could also derive benefits from more synchronized planning efforts and decision cycles. Unfortunately, a lack of incentives for agencies to collaborate presents a significant obstacle to better alignment.

To build on this suggestion for greater coordination in a way that could mitigate the underlying disincentives for collaboration, it would be rational to look toward more fundamental steps, such as an eventual consolidation of some agencies, including USAID, the MCC, and OPIC. If such agencies were to come together to form a more integrated development organization with unified leadership, it would alter incentives and offer efficiencies, but it would also necessitate a heavy lift in terms of planning and change management. President Obama's directive called for a modern architecture, but it stopped short of pushing for an organizational overhaul that would require significant congressional action.

Photo courtesy U.S. Navy, by Jordon R. Beesley

Making the Case for Development Support

Photo by Eva-Lotta Jansson, courtesy of Oxfam America

> "We're in a substantial crisis, facing potentially devastating cuts and, quite frankly, we need to be clear that we are providing assistance because it makes us safer as a country."
>
> **— Thomas R. Nides**
> *Deputy Secretary of State for Management and Resources, U.S. Department of State*

Photo by Sandy Burke

Effective communication is critical to shaping political will. In the development sphere, this is true whether the aim of advocacy is greater resources for assistance, greater attention to development at key political summits, or greater effectiveness of related policies and operations.

The current context of extreme pressure on official development assistance budgets is occurring at a time when the flow of information around the world is undergoing a fundamental transformation. For these reasons, questions of how best to "sell development" form a hot topic and were discussed at the roundtable.

In the case of official efforts by the United States, appeals to morality, economics, and security are commonly used to argue that development support is important, that it works, and that related resources must be protected or increased. For example, President Obama's national security strategy and his directive on U.S. global development policy both note that development is a "strategic, economic, and moral imperative."

The moral case is a straightforward appeal to the notion that it is good to help vulnerable people in need. The security and economic arguments fall under the rationale of strategic national interest. The security frame can encompass arguments for aid investments connected to goals such as stabilizing a recent war zone, winning the hearts and minds of a hostile population, or appeasing countries in a priority region for strategic military reasons. Efforts to contain and mitigate the destabilizing effects of transnational threats—such as communicable disease pandemics, mass population displacements, and regional and global crime networks—are also often within national security messaging. At times, national security arguments are also used with a long view in mind to justify broader proactive efforts to prevent conflict and support the emergence of capable partners around the world. Conversely, the economic self-interest arguments for supporting global development efforts generally center on the increasing reliance on U.S. exports to consumers in emerging markets for American economic growth.

When mixing in the perspectives of experts from aid donor countries beyond the United States on the subject of communicating the rationale for development support, it becomes apparent that other narratives rise to the top. Koreans, for example, having been bolstered by external support for their nation's development, commonly identify with a commitment to "give back" by helping others. This is a moral frame, but it is built on a historical sense of reciprocity. Alongside this public narrative in Korea is another prominent message—that support for development provides an opportunity to make a significant and well-regarded global contribution. This message also prizes morality, but in a manner that is focused on the national image. Although there may be a subtle subtext associated with commercial and security benefits, such arguments are not commonly featured.

In the case of Ireland, despite having sunk from being an exemplar of economic growth to a nation in need of a financial bailout, its official assistance for global development has been largely protected against cuts. As noted by former Irish president Mary Robinson, helping people in other countries guard against food insecurity—as is the case in the Horn of Africa today—strikes a collective chord in Ireland, given its own history with famine. Investments in humanitarian relief and broader development assistance are tied to national pride. Similar to the case of Korea, Ireland's narrative combines a sense of its own history with a vision of how it wants to be regarded in the broader international community. The Australian government has also recently championed good international citizenship, alongside arguments concerning its national interests and values, to justify its increasing development assistance budget.[18] Such additional ways of framing

"During the last twenty years I've seen big changes in Africa in governance and in economic performance. It's about time that we begin to think about how to talk about the positive changes that are taking place. It's easier to sell the negative stories from the region than it is to sell the positive stories. The challenge is figuring out how to bring these success stories to the global population in an effective way, while letting Africans tell their own stories."

— Ernest Aryeetey
Vice Chancellor, University of Ghana

Photo by Alex Irvin

development support are not absent in the United States, where advocacy efforts also invoke the national image on the world stage as well as American values of democracy, entrepreneurship, and individual freedom.

Not all communications efforts made in the interest of better development cooperation center on greater political and financial support; there is also a need for principal actors to shape messages around reform. It is a particularly complicated challenge to effectively communicate not only that aid and other forms of development cooperation work but also that through specific improvements they could work much more effectively.

A key challenge within any communications effort is formulating a strategy suited to the audience. It can be important to identify differences between a broad public campaign, an effort to persuade national policymakers, and media outreach.

With regard to the public, it is commonly assumed in the United States that citizens have a negative attitude toward global development assistance provided by the federal government. After all, when people are polled about where to make cuts in the national budget, foreign aid is often their most popular target.[19] Yet this can be attributed to a fundamental misperception of spending on foreign aid of all varieties. Survey after survey shows that the American public grossly overestimates the share of the federal budget that goes toward aid, with a median response of 20 to 25 percent even though the actual amount is less than 1 percent. On average, Americans believe the government should spend a whopping 10 percent of the budget on international assistance—ten times the actual—and an overwhelming 80 percent of the public believes the government should spend more than 1 percent.[20] Even though such misperceptions on spending abound, large increases in ODA during the past decade did not prompt public opposition. Both polling and focus groups indicate that morality serves as the dominant rationale among the American public for supporting ODA.

In the halls of Congress and among policymakers in Washington, however, there is a palpable sense that national security arguments for aid are highly effective. Members of Congress are used to making trade-offs between competing moral priorities, and yet many members refuse to make trade-offs that they believe would come at the expense of national security. This is especially true when the United States is heavily engaged in wars, as it has been for the past decade.

In addition to wars, the United States has also been experiencing serious economic woes, so it is reasonable to believe that an argument linking global development outcomes to U.S. prosperity would be effective. This can certainly appeal to those in the business community with an interest in new markets and exports. The message must be managed sensitively, however, because though it might make good economic sense to see an opportunity in the growing prosperity of other countries, Americans (and the citizens of other advanced economies) harbor concerns about helping the perceived competition. This is especially true with regard to large, middle-income emerging markets, which, on the one hand, include most of the world's poor people and, on the other hand, invoke fears of lost jobs as a result of cheaper labor and outsourcing.

As Andrew Mitchell, the U.K. secretary of state for international development, recently suggested, perhaps a set of golf clubs serves as a useful analogy for communications messaging, in that instruments of varied shapes and sizes are used in different circumstances to advance the ball.[21] But is it feasible to successfully deliver one message to Congress inside the Washington Beltway, another to business leaders, and still another to faith-based groups and others around the country? These groups do overlap, and clarity and consistency tend to be hallmarks of successful communication efforts. Development leaders and communications experts at the roundtable agreed that common messaging is important and that the core of any successful message aimed at an audience that includes the public must be emotionally resonant. Poverty and hunger, for example, should be a central focus, even if a different subsidiary emphasis is then placed on arguments for security, economic prosperity, or national pride, depending on the subgroup. The

Photo by Alex Irvin

"The best way to build a bipartisan American consensus in support of development and aid is to build it around the idea that job creation in the United States is reliant on increasing access to markets, and that means we have to help enable other economies to grow through small and medium enterprises to buy more American goods and services."

— Robert Mosbacher Jr.
Chairman, Mosbacher Energy Cormpany

President's Emergency Plan for AIDS Relief serves as a powerful example of what can come from an effort driven by a consistent moral message both inside and outside of Washington.

Beyond the overarching narratives and questions of emphasis and targets, what are some key approaches to delivering messages that can effectively bolster U.S. support for aid and global development? Because communication about global development to broad audiences should strike a chord in people's hearts, it is natural to focus on children. A recent online advocacy video by the U.S. Global Leadership Coalition, for example, featured children as the messengers of an economic self-interest narrative.[22] Through individual stories, proponents of development cooperation can explain that aid and other instruments of development policy can be effective.

On the basis of polling results and focus groups, development advocacy organizations have seized upon a simple combined message conveying that aid is a small proportion of the federal budget and that it works. This defensive approach targets perceptions of spending volume and effectiveness that lead many people to support cuts in development assistance. Alongside success stories that carry emotional resonance, it ties in the compelling fact that aid amounts to less than 1 percent of the federal budget. Surveys show that communicating this one fact causes a sizable swing in opinion, dramatically reducing the favorability of cuts to foreign aid and even increasing the favorability of aid increases. This message of emotionally compelling success stories along with facts on aid spending relative to the budget has been prominently featured by the ONE Campaign in conjunction with the Bill & Melinda Gates Foundation, as demonstrated by their multimedia Living Proof Project to highlight the successes of United States–funded global health initiatives.[23]

As is the case with the Living Proof Project, a campaign to mobilize people should be built on hopeful solutions rather than focusing exclusively on pressing problems. Communications about disasters and other crises can succeed in generating press attention

"Most of the surveys show, over and over again, that Americans think globalization has been bad for them. You can argue that 95 percent of global consumers live outside of the United States, but so do the 95 percent of workers who are competing for jobs. As for the wonders of multinationals, what about when a factory is closed down in a U.S. community and then opened up in say, Botswana? This is the problem with advocating trade as justification for foreign assistance. If the message is going to be a positive one, and not a dangerous one, we have got to find really good and precise stories that link the positive impact a company has had in Botswana with a positive impact on workers and their communities in the United States."

— Laura Tyson
Professor, Haas School of Business, University of California, Berkeley

Photo by Sandy Burke

and even in garnering rapid infusions of emergency resources, but according to the experience of seasoned campaign professionals, sustained interest requires a positive vision. As noted by the roundtable participants, countless negative stories have attracted press attention to Africa, and it is thus incumbent upon development communicators to share positive stories of development successes, especially as told by Africans. Moreover, with regard to communications relating specifically to aid, it is important to maintain a vision of a world in which aid will not be needed.

Another important question amid this discourse on communications and global development policy is what to do about complexity. In an effective communications campaign, the key messages are distilled and redistilled, with an emphasis on resonance with the consumer.[24] As a result of this simplification, messages may focus on issues that the broadest number of people "get," such as the need for humanitarian relief, whereas other key concepts of effective development cooperation, such as sustainability and country ownership, are weeded out. The communications advice of expert campaigners is: Do not lead with complexity. It was noted at the roundtable that growth spurts of nongovernmental relief and development organizations have commonly been driven by emotional responses to crises, and the same can be said for the development of the President's Emergency Plan for AIDS Relief. To use a metaphor, the objective of a communications effort is to draw people onto an escalator that can then carry them to higher levels of complexity.

NGO supporters will frequently look past complexity if they have trust in the core moral premise of the particular organization. With regard to the U.S. government, trust in a core moral premise is significantly compromised by a morass of potentially contradictory objectives, and there is limited ability within the executive branch to educate stakeholders in Congress and elsewhere on increasingly complex considerations. The chief concern is that simple, catchy messages could lead to negative effects on programming that hamstring effective development support. For example, emotionally resonant messaging concerning children may lead to policies focused on the direct service delivery of vaccinations and education projects without properly weighing the advantages or disadvantages of investments in broad-based economic growth and the capacity building of governing institutions. Messaging about aid to bolster support for development policy also likely perpetuates a development policy that is hyperfocused on aid at the cost of a more coherent approach. There could be many unintended consequences of framing development cooperation in terms of national security or economic growth at home, as well. Once again, the communications tasks appear less fraught from the standpoint of generic support for development than from the standpoint of analytically supported trade-offs to improve development policies and operations.

Finally, an entirely different kind of challenge is also an essential component of this discussion. Communication efforts must take numerous tensions into account—including resonant messaging versus complexity, aid versus broader tools of development policy, and conveying that development cooperation works versus educating about the need for reform. This can be a daunting endeavor in the first place, and it is doubly challenging in the current environment of threatening budgetary constraints. But on top of it all, the communications industry is fundamentally changing. As the industry grapples with the transition from the traditional broadcast model of messaging to a social media–enabled engagement model, communications professionals must invent new ways to break through the noise of information generated by the 1,440-minute news cycle.

The speed of information and the rate of change can be dizzying. Just as executives and policymakers are catching up to blogging and tweeting, new forums for engagement are opening up. In the past decade, developing countries have shifted from holding a 35 percent share of the world's 719 million mobile phone subscriptions to holding a 74 percent share of the world's 5.4 billion subscriptions.[25] Communications strategies are being shaped by inexpensive platforms for information exchanges and transactions in developing countries around the world.[26] USAID administrator Rajiv Shah has publicly articulated his intent to build the website ForeignAssistance.gov into a data visualization platform supported by geographic information systems ("modeled after Google Earth") for sharing program and project data and updates. This welcome vision has been cast as an effort to enhance transparency and aid coordination, but such a platform could also become a principal conduit of development-related communication for the U.S. government to encourage more engagement with the public both domestically and globally. Given the recent collaboration between USAID and the Ad Council that created the polished multimedia FWD (Famine War Drought Relief) Campaign to raise awareness about the crisis in the Horn of Africa, there is clearly an appetite to be innovative.

Photo by Sandy Burke

"While there is a strong case for the development community to continue its effort to get more money, we also have a strong case for focusing increasing amounts of our advocacy on non-aid issues. It's right for development. It's what the people whom we are trying to help actually want. It enhances our credibility to be vigorously promoting the idea that this isn't a permanent charity exercise, but rather a bridge to a world in which a lot of the aid we're advocating for today won't be needed at all. And if you can persuade people that aid is really just a small amount of the federal budget and that it works, that will make a huge difference with the public."

— **Joshua Bolton**
Managing Director, Rock Creek Global Advisors; Former White House Chief of Staff

Photo by Sandy Burke

"We need to invest in intergenerational collaboration and mobilization platforms. Many of my students have been deeply inspired by the ONE Campaign and feel that its message of voice legitimizes their desire to undertake action. We need much more of that. We need the kids in my classroom in conversation with the generation of expertise and policy leadership."

— **Ananya Roy**
Education Director and Professor, Blum Center for Developing Economies, University of California, Berkeley

Delivering Under Pressure

"Unless we change the way people fundamentally think about the purpose of development—unless we make it clear it's in our national interest from a security, economic, and core moral perspective—we won't establish the political environment that enables us to accomplish all the great things we want to do at a scale that delivers meaningful change."

— Rajiv Shah
Administrator, U.S. Agency for International Development

Photo by Alex Irvin

This report began by examining the rapid pace of change and pressures affecting global development actors. The subsequent chapters focused on different aspects of this change.

- As the field of actors expands, attempts to coordinate development efforts are increasingly challenging. The most innovative and highest-impact partnerships combine the resources, both technical and financial, of different development actors, and do so in a way that respects their unique skills and characteristics. The range of agreements that underpin these partnerships must craft alliances that spur action, lower transaction costs, build trust, incorporate effective accountability mechanisms, and mesh common goals with differentiated responsibilities.
- The G-20 is attempting to steer the global economy through rapid change. Last year, it formally adopted the issue of development and announced a multi-year action plan. But to meet global development challenges, the G-20 should make its consultation processes more inclusive, act boldly, and clarify its own agenda vis-à-vis those of other international bodies and forums.
- The upcoming Fourth High Level Forum on Aid Effectiveness in Busan will be measured by its ability to overcome two related obstacles that have eluded past forums—politics and incentives. If Busan is able to garner deeper political buy-in for the aid effectiveness agenda and link it to broader development efforts and results, it may provide momentum for the wide-ranging reforms necessary to refresh the global development architecture.
- The Arab Spring represents a fault line in geopolitics and the protests throughout the region have shed a harsh light on development failings. Unrest occurred against a backdrop of rising aid flows, distributed according to assistance strategies that accommodated authoritarian regimes while ignoring issues of poor governance. Future development programs in the region must incorporate activities aimed at improving governance and rule of law, and pursue an informed engagement that strengthens a range of domestic institutions and capacity, including those beyond the government sector. Additionally, rather than ignoring and falling prey to political uncertainty, development actors should use the right diagnostics and tools to pursue a consistent, regionally-applied cooperation approach.
- The United States must further restructure its approach to development support to leverage the assets of private development actors. This requires systematic and proactive engagement with business and NGO leaders at both the highest levels of policy-making globally and at the regional and country level. Through tighter coordination of the range of instruments at the government's disposal, especially across USAID, OPIC, and the MCC, the United States could more efficiently tee up catalytic partnerships and layered financing to unlock investment and achieve better outcomes in economic growth and human development.
- As global societies grow closer together, flows of information across borders spread both widely and rapidly. Stories of aid failure shatter confidence in both developed and developing countries, and practitioners must craft international support for development by not only being more honest about aid and development shortcomings, but by more effectively conveying achievements. Misunderstandings about development must be addressed and expectations as to what can be achieved better managed.

Photo by Alex Irvin

"The majority of the world's poor now live in fragile and middle income countries, and this shift in the political geography of poverty has real implications. The development industry has by and large been structured around interventions and skill sets that are not the primary ones required. We really ought to be thinking more about the skill sets and types of interventions required of development practitioners to match the current challenges in poverty reduction."

— Smita Singh
Independent

Photo by Alex Irvin

"After fifty years, we still find ourselves laboring under the same Foreign Assistance Act with various programs and policies that have been added on over time. It's a bit like a Christmas tree with ornaments that have been hung all over, but nobody is quite sure how it comes together in any coordinated fashion. How do we finally get Congress to seriously address the need for this legislative overhaul? Getting that congressional engagement is also going to be key in ensuring that good reforms last from one administration to the next."

— James Kolbe
Senior Transatlantic Fellow, German Marshall Fund of the United States

To meet the myriad challenges in today's rapidly shifting global landscape, policymakers and practitioners need a framework that encompasses all the elements of change. This means moving the focus from the limited function of supplying aid to the far-reaching mutual enterprise of enabling true development cooperation. Likewise, the approaches and instruments of the international development community need to catch up to the sea changes of recent decades, and make the most of the full range of available policies, skills, resources, and tools. It is only by broadening the development lens and ensuring that the pace of reform is better matched to the pace of changes that global development cooperation will be ready for 21st century contexts and challenges.

Photo by Sandy Burke

"Conflict is expensive. War is expensive. Security and military forces are expensive. And as development workers, we must factor this in, have conversations with the people who engage in these areas to make sure that when they do engage, they protect development. Isn't it time that we put this issue on the table and try to define the conditions, as a community, under which military interventions would be justified to protect development and quality of life; and the conditions under which military strength can be built up without reversing years of growth and poverty reduction?"

— Joy Phumaphi
Executive Secretary, African Leaders Malaria Alliance

Endnotes

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Jane Wales, Vice President, Philanthropy and Society and Director, Philanthropy and Innovation Program, Aspen Institute

Note: The titles and affiliations of the participants are as of August 3–5, 2011.

2011 Brookings Blum Roundtable Policy Briefs

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Laurence Chandy,
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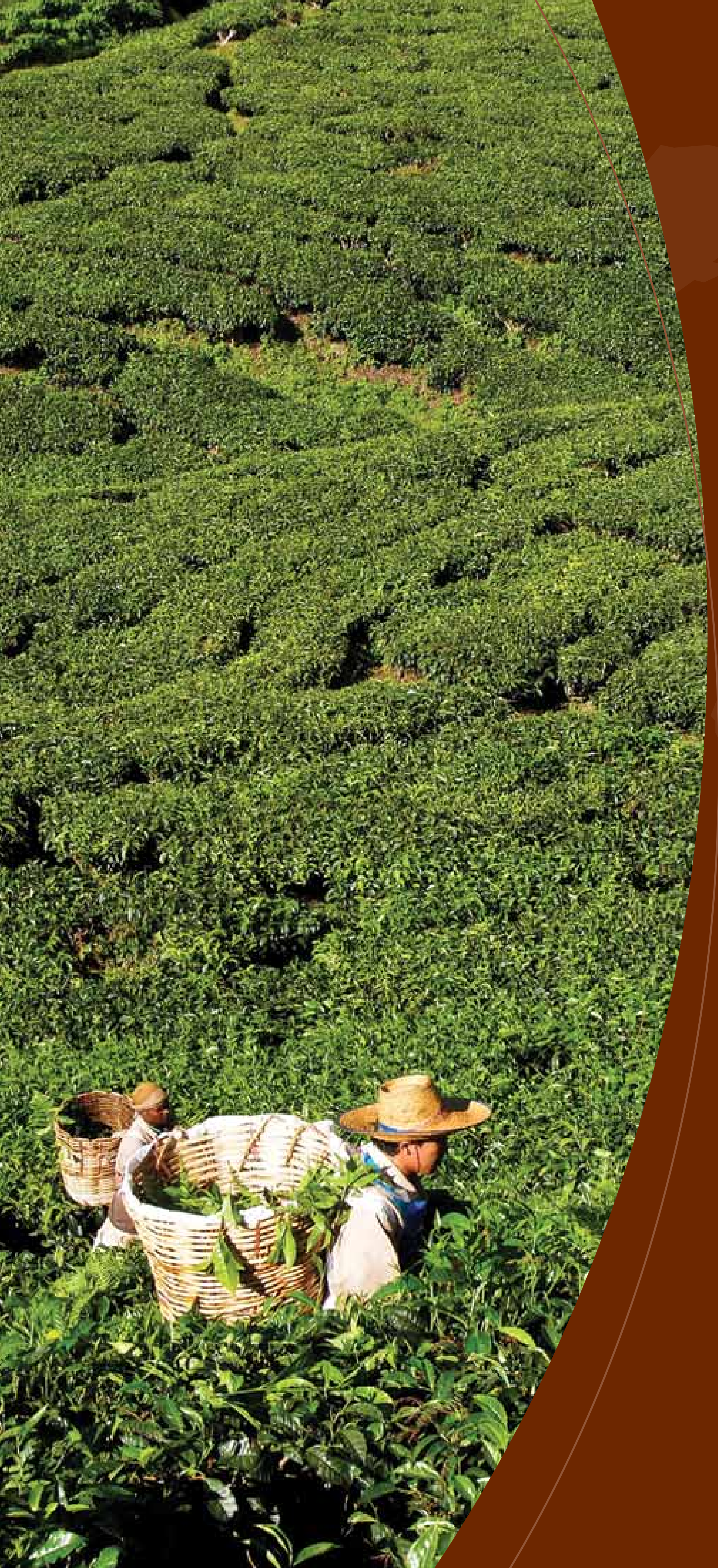

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