From August 2 to 4, 2017, nearly 50 prominent policymakers, development practitioners, and leaders from industry and academia came together from the public, private, and nonprofit sectors for the 14th annual Brookings Blum Roundtable in Aspen, Colorado to discuss the future of U.S. foreign assistance. The 2017 Brookings Blum Roundtable was hosted by Richard C. Blum and the Global Economy and Development program at Brookings, with the support of honorary co-chair Mary Robinson, president of the Mary Robinson Foundation–Climate Justice.
The **Global Economy and Development program at Brookings** examines the opportunities and challenges presented by globalization, and recommends policy solutions for a better world. Recognizing that the forces of globalization transcend disciplinary boundaries, the program draws on scholars from the fields of economics, development, and political science, building on the worldwide reputation of Brookings for high-quality, independent research.

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

The **Mary Robinson Foundation–Climate Justice** is a center for thought leadership, education, and advocacy on the struggle to secure global justice for those many victims of climate change who are usually forgotten—the poor, the disempowered, and the marginalized around the world. It is a platform for solidarity, partnership, and shared engagement for all who care about global justice, whether as individuals and communities suffering injustice or as advocates for fairness in resource-rich societies. In particular, it provides a space for facilitating action on climate justice to empower the poorest people and countries in their efforts to achieve sustainable and people-centered development.
Acknowledgments

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Richard C. Blum  
Founder & Chairman, Blum Capital  
“My concern is that with USAID you’ve got to sit down and work with these governments. But what percentage of the money that’s supposed to go someplace actually gets there? If you don’t know how to get the money there, this reshuffling of the deck is a waste of time.”

Madeleine Albright  
Chair, Albright Stonebridge Group  
“Coupling foreign and assistance is like trying to sell some disease on Capitol Hill. We have to be realistic about that. One of the ways to get support for foreign aid is to talk about its importance to our national security, especially when speaking with American people.”

Sam Nunn  
Chairman, Nuclear Threat Initiative  
“Most of the companies that operate around the world have development funds themselves. Some of those programs are narrow and apply only to regions where those companies operate. But some of them are very innovative. Some of them are very entrepreneurial. Some of them really work. They don’t get recognized, and they don’t get scaled.”

Steven Kull  
Director, Program for Public Consultation, School of Public Policy, University of Maryland  
“I think it’s really important for us to anticipate that at some point there is going to be something of a reaction to the America First theme. It might come out as, okay, American first, but the world’s a pretty close second. We are Americans, but we’re also part of the world.”

Bill Clinton  
Founder, Clinton Foundation, 42nd President of the United States  
“The job of every self-aware citizen in the world is to try to build the positive and reduce the negative forces of interdependence. And the only way you can do that is to say cooperation is better than conflict. Diverse groups make better decisions than homogenous ones. And you have to have shared opportunities and shared responsibilities and, in the end, since you’re going to have diversity as never before, people have to feel like they’re a part of your community and we have to model that.”
At the 2017 Brookings Blum Roundtable, held at the Aspen Institute, a group of development and foreign affairs experts examined the challenges facing U.S. development assistance. These challenges relate to rapidly shifting politics around the world, changing budgetary priorities in the U.S., proposals for structural reform of government institutions to improve effectiveness, growing concern over the future of fragile states, and the evolving role of multilateral institutions.

The roundtable brought together bipartisan experience and perspectives from leaders in government, academia, think tanks, international organizations, foundations, and non-governmental organizations. Many are currently engaged in shaping how the U.S. can best respond to new geopolitical realities to achieve better development results, namely, improving the lives of people across the world and avoiding unpleasant consequences that can arise when development cooperation is absent.

Several common themes emerged from the discussions: (1) Public opinion of aid effectiveness is often polarized, viewed as strictly successful or unsuccessful; therefore, more specificity is needed about where aid has been effective and where it has not. (2) Disaggregated evidence on aid effectiveness to understand how development cooperation works best in fragile states, in selected sectors, and through specific instruments is vital to success. (3) Greater clarity is required regarding what can be changed to improve results—many experts feel that a focus on processes such as procurement and human resource management could yield medium-term gains.

In each case, aid is increasingly catalytic, servant to (and far smaller than) a country’s own resources. Applying agreed-upon principles of aid effectiveness, including country
ownership, remains important, but there are practical difficulties in implementation when coordinating with military or humanitarian planning.

Participants voiced the need to be bold, to focus on implementation, to develop new partnerships, and to leverage public efforts along with business. As such, aid should be a complement to and catalyst for private investment, not a substitute. Yet partnerships do not offer a cure-all. Blending of funds and trilateral partnerships between aid, business, and civil society are promising, but not in all cases. Sometimes each form of development cooperation works best by itself.

At the same time, experts repeatedly called for local government engagement and ownership in the countries where the U.S. provides aid as a way to improve effectiveness, build government capacity, and to establish relationships with people on the ground. As one participant said, aid works not because of its design, but in spite of it.

Sustaining aid support will require new messages and new messengers, including students, universities, businesses, and military leaders. A message of national interest might help raise aid volumes, but the effectiveness of spending depends on principles and values. The American values embodied in aid (including human rights, democracy, and good governance) still resonate with the public. Their attitudes toward aid are not the problem, but nor are they the solution. The hard realities of budget arithmetic imply that Congress will be key in setting funding priorities. Creating a more highly leveraged U.S. development finance corporation is perhaps the only option for increasing dollar volumes of cooperation support.

One underexplored but potentially effective message is to frame development cooperation as an exit strategy to help countries become more self-sustaining. As an exercise in social media messaging, other ideas were more crisply summarized as #cheapandeasy (engaging with American Universities abroad); #womenandgirls; #everyonematters; #itsboththatmattersstupid (both values and national interest); #peaceispossible.

Participants agreed, and in some cases committed, to using the roundtable findings to inform their discussions with administration and congressional leaders on:

- Aid redesign—multiple proposals are on the table, and leaders need to unify around a single proposal.
• Creation of a development finance corporation with equity, first loss, guarantee, and technical assistance/grant instrumentalities that can be agile, innovative, and technologically cutting-edge and that could retain a share of profits to self-finance expansion—a big push is needed.

• Draft legislation on violence reduction and the root causes of corruption.

• Draft legislation calling for a new strategy on state fragility.

• Draft legislation on a review of multilateral institutions.

• New approaches toward cooperation with Chinese banks and development agencies.

• Advocacy around aid budget numbers, especially in fiscal years 2018 and 2019.

Participants also agreed that further research would be useful on:

• The cost effectiveness of aid—compared to, for example, the $34 million required to identify, track, target, and kill a terrorist leader.

• The link between U.S. reform and multilateral reform.

• A multilateral aid review from a U.S. perspective—benchmarking international organizations.

• An operational plan for the United Nations Sustainable Development Goals (SDGs).

• Voluntary reviews at the high level political forum for fragile states.

The conversation also identified desirable but probably unattainable reforms including a cabinet-level position overseeing all aid and efficiency gains (cost savings) from agency consolidation.

The consensus was that now is the time to act, as the Trump administration is proposing to cut the foreign assistance budget and dramatically reforming government institutions. There are opportunities to influence the administration toward positive rather than harmful changes.
Overheard at the Roundtable

Gillian Tett
U.S. Managing Editor, Financial Times
“These really are the best of times and the worst of times to be talking about the future of aid and development.”

John Podesta
Founder & Director, The Center for American Progress
“The cause of development is more broadly owned than ever before by civil society, by the private sector, by developing country leaders, by a host of bilateral and multilateral institutions and local and international NGOs. We should focus on how we galvanize the help of all of them at a time when the United States government looks to be sitting on the sidelines of an endeavor that it has long championed.”

Don Kerrick
Managing Director, Kerrick Consulting
“We can’t win the war on the battlefield if we do not have all elements of soft power there, adding to what the military has accomplished. And certainly, we cannot sustain the peace if we do not continue to invest with what the military has done.”

John Hardman
President & CEO (retired), The Carter Center
“Developing relationships with individuals in the country as well as country leadership and ministers to work on their agenda is critical. Being able to put them in leadership roles is the second priority. The third priority would be working with them, sharing knowledge and information so that they are successful in the process. And the fourth would be giving them the credit for the results that are achieved.”

Ngozi Okonjo-Iweala
Chair of the Board, Gavi, the Vaccine Alliance
“There are three things that I notice about the global reaction to U.S. aid policies. They are bemusement, bewilderment, and worry.”
Disruptions to the global and American post-World War II order are both a threat to a peaceful, prosperous world, and a challenge and opportunity to make our institutions and systems fit the new dynamics of the 21st century.

The global disruptions are numerous and varied: spreading terrorism and civil strife; poverty becoming increasingly concentrated in fragile states; the threat of pandemics; stress on the environment, and many others. To address these global threats, we must identify where national and international official institutions are ineffective; where national populism and anti-multilateralism are growing; and where space for civil society and dialogue is closing. One participant framed these areas as instability (fragile states), inequality (rising populism), and unsustainability (climate change). Since 1950, world power and influence has evolved from a unipolar center, to bipolar, back to unipolar, and now is multipolar.

The 2016 election called into question how the U.S. exercises its global leadership, and if the U.S. national interest fits the international order. On the development front, the 2015-16 global consensus that coalesced around a collection of interrelated compacts, including the SDGs, the Addis Financing for Development Conference, the Istanbul Humanitarian Conference, the Paris Climate Accord, and high profile U.S. initiatives such as Electrify Africa and Feed the Future seem very distant. The U.S. is considering retreating from the link between aid and democracy, rule of law and good governance, and international principles of aid effectiveness. Women will suffer from re-implementation of the global
gag rule, which requires that any overseas organization receiving U.S. aid not have anything to do with abortion. However, among nongovernmental organizations, support for sustainable development and for building powerful coalitions to push back on harmful U.S. policies is strong.

The international reaction to this disruption in Washington, and to the U.S. ceding global leadership, was characterized as a combination of bemusement, bewilderment, and worry. Bemusement at the U.S. departing from agreed upon global goals and compacts; bewilderment because countries do not readily give up leadership; and worry that the U.S. is stepping back from its financial and moral obligations and therefore losing credibility.

But hope remains that opportunities could arise from the disruptions. The administration’s scrutiny of levels of funding and structures for foreign aid decisionmaking and implementation has given way to new ideas for doing business. The attitude of the participants was “don’t waste a good crisis;” instead, see what good can come from it.

The discussants also stressed the potential of local efforts to ensure effective spending, opportunities to cooperate with China, doubling down on values as a driver of aid, the importance of soft power tools, building trust and partnerships, leveraging private and domestic resources, sustainability and the exit from aid, and being bold with reforms.

The engagement of local actors and the empowerment of local leaders to make progress on tough challenges is encouraging. States and municipalities across America are committing to elements of the SDGs and to reducing their carbon footprint. The same holds for over 700 American corporations. These leaders, sometimes with and sometimes without national governments, are taking up the challenges of sustainable development.

China is both a challenger and potential partner for the U.S. The country is a powerful player that sometimes follows international practices and norms and sometimes does not. The two China initiated international financial institutions—the Asian Infrastructure Investment Bank and the New Development Bank—are financing much-needed infrastructure in developing countries. By 2020, the two entities will likely surpass the paid-in
capital of the World Bank. In addition, China could soon become the largest contributor to U.N. peacekeeping. There are more African students in China than in the U.S. or the U.K.

Some 10,000 Chinese firms are operating in Africa, and not just in resource extraction and infrastructure (one-third are in manufacturing). Ninety percent are privately owned, and they are employing and training local nationals. As one participant described, the roads China builds in Africa are “roads back to China.” This is a challenge to U.S. business, but also a source of African economic advancement. In some areas, but not all, China is showing an interest in rules-based approaches, greater transparency, and a stable global order. So can and should the U.S. seek common cause with China, or is China following an antiquated state-led development path that is antithetical to U.S. interests and practices?

Participants expressed the view that the U.S. must sustain values and individual relationships as important aspects of soft and hard power and world influence. Through the many discussions on values versus national security, a consensus evolved around the view that it is a false dichotomy; values reinforce and support national security, the scope of which extends beyond defense and covers all aspects of smart power. Fortunately, corporations increasingly are modeling values-based business practices around support for the SDGs and combating climate change.
Overheard at the Roundtable

Laura Tyson
Chair, Board of Trustees, Blum Center for Developing Economies
“If you combine massive tax cuts with spending on defense, Social Security, and Medicare with a desire to balance the budget in a 10-year window, you have to reduce non-defense discretionary spending by 40 percent.”

Sam Worthington
CEO, InterAction
“Extreme cuts are self-defeating, they harm U.S. national interests, and they limit the flexibility of our development tool kit.”

Rajiv Shah
President, Rockefeller Foundation
“1961 was the last time we had a serious foreign assistance act. It is tough to do but this moment feels ripe for reform.”

Donna Shalala
Trustee Professor, University of Miami
“The definition of security that this administration has is very narrow. No one, for 50 years, has defined national security as just military assistance. The budgets that have proposed are out of step with the international consensus.”

Janet Napolitano
President, University of California
“You could make an argument that assistance directed to institution building in failed states such as Yemen or Somalia would have a direct impact on terrorists, terrorist recruitment, and prevention of more American military intervention in those areas.”
The administration’s fiscal year 2018 budget request for the international affairs account comes at a time of unsustainable structural trends in the U.S. fiscal condition. Revenues at 18 percent and federal spending at 20-21 percent of gross national product are contributing to a growing debt. Meantime, policymakers are treating reform of big-ticket items as politically toxic, while seeking to increase defense spending and reduce taxes.

Experience should inform any assessment of the proposed 30 percent cut to foreign assistance. The 20 percent budget reduction for international affairs during the 1990s forced the elimination of thousands of Department of State and U.S. Agency for International Development positions. Subsequently, USAID lacked the skilled and experienced personnel needed to meet the requirements to staff U.S. missions in Iraq and Afghanistan and elsewhere. Luckily, some took these lessons on board, as evidenced by strong statements opposing the cuts from members of Congress, retired military leaders, and the private sector.

Fortunately, there is a long tradition of bipartisan support for foreign assistance that could shield programs from the worst budget cuts. Analytical work suggests that hundreds of thousands of children’s lives could be at stake. For this, if no other reason, it is worth fighting forcefully against large aid cuts in the fiscal year 2018 budget, remembering that many agencies in the U.S. have important aid programs, including, for example, the Centers for Disease Control and Prevention. Even universities have important roles to play in
development. So we should worry about the entire international affairs budget, not just the part that funds development.

The discussion of resources for foreign assistance revolved around the definition and scope of U.S. national security. One example of how security is a broader concept than defense is health—pandemics are a security threat to the U.S. and can be contained only with the expertise of USAID and the CDC contributing to developing country health systems. Another example of a non-defense security tool is the U.S. university system, where knowledge generation and education of the next cadre of foreign public and private leaders contributes to solutions to state fragility and the avoidance of conflict.

The financing of development has flipped in two decades, with official aid shifting from 80 percent of flows to developing countries to less than 10 percent today. The rise of private financing—from capital markets, foreign direct investment, impact investors, foundations, NGOs, and diaspora remittances—has dramatically broadened the tools and solutions to unlock development and the scope for public-private partnerships. One of the acknowledged difficulties in government efforts to partner with the private sector is that processes are built around government rules and regulations, which may not be easy for the private sector to adapt to, nor fit with private sector timelines and risk tolerances.

Innovative finance has the potential to unlock resources for development. Impact investing is beginning to demonstrate its capability, but is in the early stages of development and has yet to demonstrate the ability to scale up. Blended capital is a mechanism to bridge from concessional to market financing, allowing recipient countries to move beyond reliance on grant assistance. A potential huge source of financing are pension, insurance, and sovereign funds—the conundrum is figuring out how to unlock these massive amounts of capital.

Despite growing private financial flows, for funding certain public goods, no viable substitute for public finance exists. In these instances, foreign assistance can be catalytic and mitigate risk. Examples are enhancing domestic resource mobilization, providing early stage financing, and working with governments to improve the climate for private
investment. The aim in these cases should be to help countries reach a higher level of self-reliance, including in the renewable energy sector.

To defend aid from cuts, we need the right message and messengers to articulate the importance of foreign assistance to the U.S. national interests. Years of polling demonstrate that the American public responds best to a message of values, but members of Congress respond to messages based on all three legs of the foreign assistance triad of security, values, and economic prosperity—or, as one participant formulated it, “love, trust, and fear.”

The military voice has been a significant addition to those advocating for the critical role of foreign assistance and soft power in advancing U.S. national security interests. The missing messenger is the private sector—while the actions of corporations demonstrates their belief and dependence on the elements of soft power, few have exercised their considerable voice in bringing that message to policymakers and the American people.

Stories of the effectiveness of development efforts are an important way to deliver the message. Development over the past two decades has been unprecedented—a reduction in poverty of over 50 percent and dramatic reductions in rates of child mortality and maternal deaths. However, we may have come to the end of these rapid historic advances. Funding for foreign assistance is stagnant and dramatic development improvements have fallen off as large pools of poverty have been drained, particularly in China and India. New risks in the form of damaging effects due to climate change and the potential emergence of a new global pandemic could mean further setbacks.

Today’s development efforts should involve partnerships, engaging and building local capacity, catalytic and innovative solutions, and adapting technology for the greater good. Financing will follow the evidence on results.
George Ingram  
Senior Fellow, Brookings Institution  
“We need to decrease, not increase, the stove-piping and address the inter-agency process to consolidate and better align development and diplomacy functions.”

Ray Offenheiser  
Distinguished Professor of Practice, Keough School of Global Affairs, University of Notre Dame  
“The argument for the merger of USAID into State will weaken and distract both agencies from their different and complementary missions.”

Carolyn Miles  
President & CEO, Save the Children  
“I think we have the perfect opportunity for reform but it has to be about the ‘what’ of USAID—about the reduction of poverty and human development, the progress for the poorest that we’re looking for from aid.”

Rob Mosbacher  
Chairman, Mosbacher Energy Company  
“We need to not only build a much more robust development finance corporation, but we also need to inject a few elements that are not typical of U.S. Government agencies: entrepreneurship, technology, innovation, and agility. And agility in governments often sounds like an oxymoron.”

John Feeley  
Ambassador to Panama, United States Department of State  
“Most of us who have spent the majority of our careers in embassies abroad believe that USAID works in spite of its design, not because of it. And it’s primarily due to local relationships.”
The Office of Management and Budget (OMB) directive to all agencies to submit plans in September to reduce agency inefficiencies and personnel has immense implications for the U.S. institutional structure for managing foreign assistance. There are opportunities to influence the initiative in a positive direction, as OMB will also consider alternative plans that have been proposed by civil society organizations. Participants at the roundtable reviewed these various proposals.

With the exception of one plan to merge USAID into the Department of State, all other proposals recommend maintaining the separation of development and diplomacy and retaining USAID as an independent agency that works closely with the State Department coordinates other agencies involved in delivering foreign assistance. The issues of inter-agency coordination are a conundrum. The National Security Council reacts to a crisis and cannot be depended on to manage ongoing issues, so aid coordination is best done by the agency with the most skin in the game. Second, as participants noted, development and diplomacy are distinct disciplines with different objectives, priorities, cultures, timelines, processes, skills, and valuations of how to contribute to national security. Both are critical to advancing the U.S. national interest. Merging USAID into the Department of State would make development assistance less agile, more expensive, and less effective. Examples of the merger of foreign assistance into the foreign ministry in Canada and Australia suggest the result is a degraded and less capable development function.
There is a need to better align functions with the mission of an agency and clear lines of authority to produce more accountable decisionmaking and management, similar to the military concept of “unity of command.”

Assistance processes should be transparent and accountable both to the American taxpayer and to local stakeholders. USAID and the State Department are in need of upgrading their woefully backward systems, including human resources, information technology, procurement, and use of technology. They also need to be released from some of their own unnecessary, burdensome processes and requirements and those that are imposed on them, specifically earmarks, presidential initiatives, and reports.

Consistent with the theme of “local” that was woven throughout roundtable sessions, delegated authority is needed to build local capacity and partnerships to move countries to greater self-reliance and eventual graduation from assistance.

Many highlighted the need to modernize and upgrade the economic tool kit that the U.S. deploys, with participants strongly endorsing the creation of a more robust development finance corporation that could deliver entrepreneurship, technology, innovation, and agility. Consolidating existing functions in a new development finance corporation with expanded resources and new authorities of equity, first loss, and guarantee would strengthen the U.S. development finance toolkit. Packaging a combination of instruments—grants, technical assistance, and lending—into blended finance mechanisms could attract the private sector to become more involved in advancing development.

Bridging the gap between traditional concessional assistance programs and market finance mechanisms could be the path toward creating a seamless transition from grant assistance used to test new ideas to market-based solutions with commercial potential. The idea would be to design ramps to transition from grants to a sustainable, scaled-up business model, with specific benchmarks around key milestones.

The session on how to redesign U.S. institutional structures led to a debate on whether, in the midst of a serious threat to the budget, this is the right time to take on bureaucratic reshuffling. The consensus was to take advantage of the disruption and push for improved
structures. This will require concerted engagement and a bold response. A budget lasts for a year, but institutional structures can last decades. A bad bureaucratic redesign can do more damage than a single bad fiscal cycle. It is imperative that any restructuring be done well and avoid harmful outcomes. While the momentum to consolidate programs to improve efficiency and effectiveness should be embraced, the wrong consolidation can result in less efficiency and effectiveness. The right strategy is to propose consolidation that is impactful and strengthens the development function.

The discussion repeatedly returned to the role of Congress. It is around points of consensus that Congress gets excited and can act, so delivering that consensus should be the focus of civil society efforts. State and USAID have not been particularly agile and responsive to Congress, and the executive branch should take the lead in repairing the broken dialogue with Capitol Hill. In developing a consensus, it is important for advocates to coalesce around a single plan for institutional restructuring.
Overheard at the Roundtable

Nancy Lindborg  
President, United States Institute of Peace  
“We’re seeing a high correlation between fragile states and incidents of violent extremism.... So the conversation of values versus security is a false dichotomy—in addressing fragility, we both uphold our values and improve national security.”

Stephen Hadley  
Principal, RiceHadleyGates  
“So what do we do in the situation we find ourselves [in dealing with fragile states]? I would say go big, go broad, and get better.”

Michelle Nunn  
CEO, CARE USA  
“For CARE, we believe that there are at least three focus areas in terms of approaches in fragile states. One is we have to focus on women and girls. Two is we have to focus on resiliency. And three is we have to focus on inclusive governance.”

Neal Keny-Guyer  
CEO, Mercy Corps  
“I do think the challenge of fragile states, fragile context, is the development, and in some sense, the national security challenge of our times.... Somehow simultaneously we’ve got to address grievance, governance, and growth in fragile states.”

Matt Trevithick  
Managing Partner, SREO Consulting  
“Governments and large organizations are, of course, still very important, to effectively respond to displacement, but local governance and local actors are increasingly important in ways that we need to recognize. Many problems demand a local response because that’s where policy can be most effective. And looking at the US track record in fragile areas post 9/11, it’s clear that new and creative thinking is urgently needed on this front to facilitate more effective engagement.”
A decade ago, fragility was associated with a country’s inability to respond to natural disasters; 80 percent of U.S. humanitarian aid went to victims of floods and droughts, using processes designed for one-year turnarounds. Today, fragility is linked to conflict, and 80 percent of the money goes to victims of violence, but these crises are measured in decades, not years. Ebola emerged from three countries that had not yet recovered from terrible civil wars. Four more countries are now suffering from new civil wars. We need to get ahead of these challenges, not just react to them.

Development progress is stubbornly stalled in fragile states. Current approaches do not focus on the dynamics of fragility wherein the social contract between citizens and their government has broken down. Fragility is inherently linked to SDG 16, which is dedicated to the promotion of peaceful and inclusive societies for sustainable development, the provision of access to justice for all, and building effective, accountable institutions at all levels.

Fragile states are the largest source of migration and soon will be the locus of a majority of the world’s poor. Half the world’s 1.8 billion young people live in fragile states.

There is growing recognition that dealing with fragility is not just a development problem. While fragility highlights the need for an empowered development capability and voice, it also is a political and a security problem, and any solution has to involve development, diplomacy, and defense together. The three Ds have different goals, processes, and
timelines, so ensuring they function in tandem and toward a common goal is vital. Just as we need mechanisms and a mindset change to get the three Ds to function together, we also need to break down sector silos as fragility cuts across the traditional stovepipe approach to development. We may even need to add a fourth D, democracy, to this mix.

How to approach fragility was a principal topic of the session. One participant suggested a three-part shift in the way we engage in fragile states: (1) we need to overcome a tendency toward short-term thinking, inability to communicate, and cultural misunderstanding; (2) we need to stay long enough to understand the local culture and establish relationships of trust; and (3) must speak the local language.

Often, the problem is not insufficient financial resources. Quite the reverse. In fragile contexts, accountability and governance are weak and funds can be easily misallocated and siphoned off for personal gain.

Another participant emphasized the need to focus on women, resiliency, inclusive governance, engaging local partners, and multi-sectoral approaches. A third suggested the right approach is a human rights frame—respect between government and its citizens.

A recent structure for dealing with state fragility is the New Deal for Engagement in Fragile States. Launched in 2011 by the Fourth High-Level Forum on Aid Effectiveness in Busan, the New Deal was designed jointly by fragile states and donors. It entails an elaborate scheme for assessment, commitments, and implementation. However, it has not functioned as designed, since country-level rollouts have rarely reached beyond ministries of finance and little effort was made to reach out to civil society.

What is key is getting to the root causes of fragility, not just the symptoms. Fragility is inherently a political challenge and about the relationship of political leaders to the people. Several participants suggested that any approach must focus on citizen grievances, often grounded in exclusion from governance. This, again, rekindled the theme of “going local”—the need to empower local actors. While such an approach has value, the grievances are often economic and social as well as political.
One participant outlined an expanded frame focusing on grievance, governance, and growth. Getting those three right are the first steps to making a state more stable. One participant suggested that too often NGOs, with the best of intentions, essentially establish alternative governance structures, which inherently interferes with the political legitimacy of the state.

State fragility is the existential challenge to development. We need to find ways to raise the profile in order to concentrate resources and policies on how to deal with existing fragility and prevent conflict before it emerges.

So what to do? Get better by learning about what works from experiences in places like Afghanistan and Iraq. Go broad to bring multiple stakeholders together to look for solutions. Go big by ensuring there is a proper plan for success. We need flexibility for these situations, such as provided by the Complex Crisis Fund, but this has been zeroed out now. Flexibility is a hard sell.

As this is a global, not just a U.S. problem, one participant concluded the session by recommending the convening of an international summit on fragility.
Overheard at the Roundtable

Anne-Marie Slaughter  
President & CEO, New America  
“Multilaterals have the power to leverage the kind of knowledge and finance together that we need in order to deliver on the Sustainable Development Goals. They also have the ability to bring together many other key network actors, such as governors, mayors, CEOs, civic leaders, religious leaders, and university presidents—all of whom have essential capacities to achieve those goals. So, we should evaluate how multilateral institutions can be better organized and staffed to carry out these functions, because right now they are not really very fit for purpose, but they are vital.”

Luis Alberto Moreno  
President, Inter-American Development Bank  
“The real value multilateral financing institutions provide is in the knowledge component about best practices, it’s about being in the frontier of development challenges. But equally, as we enter this deeper process of globalization…regional development banks are trusted and can provide the connectivity to support countries in their processes of economic integration.”

Mary Robinson  
President, Mary Robinson Foundation-Climate Justice  
“Back in 1945 the U.S. played the role of a major power and pioneer of democracy in helping to shape the multilateral institutions. It was the U.S. that helped establish a strong set of values ranging from liberty and equality to diversity and truth. Remaining true to these values and to the principles of the rule of law, accountability and human rights, must guide the future of the U.S. on…their contribution to the multilateral institutions, and their role in international development cooperation.”

Jane Nelson  
Director, Corporate Responsibility Initiative, Harvard Kennedy School of Government  
“The potential for multilateral and multi-sector approaches is enormous. It ranges from joint efforts to spread global norms and standards to scaling up blended finance and blended knowledge models. These collaborative approaches can play a valuable role in driving research and development, technology dissemination, and new products, services, delivery models, and value chains that are more inclusive, more sustainable, and have less carbon emissions.”
Multilateral institutions and international organizations take many different forms and are characterized in different ways. On a basic level, some are old and some are new. The old, established tend to be formal and new ones more informal. Older organizations are mostly inter-governmental, but newer ones frequently have tri-sector governance. Some are global and others regional. Some have mostly core funding, others depend on voluntary grant funding. Some are focused on a single sector or problem, others are more holistic.

The value of multilateral institutions and international organizations is on multiple levels. They are a source of both development knowledge and financing. They can coordinate among diverse development actors and play the role of honest broker. They can conduct coherent policy dialogue with government and partner with non-state actors. The best are transparent, consultative, and employ best practices. They follow internationally-agreed rules, standards, and norms. They have substantial convening power. At the most fundamental level, multilateral institutions are instruments, not engines—it is their members that drive them.

The U.S. was a principal leader in the post-World War II establishment of multilateral approaches for collective action and burden sharing and has exercised a lead role ever since. That leadership is now in question, both because of an increasingly multipolar world and because of American actions that are seen as ceding leadership. The U.S. is a major user of international development institutions, with 36 percent of its disbursements of official
development assistance going through multilaterals. Leadership and influence in multilateral institutions is largely tied to financial contributions, and the proposed cuts to U.S. funding puts U.S. leadership in jeopardy. China appears to understand the connection between financial engagement and influence and is using its growing financial contributions to build influence and power in multilateral institutions.

Members assess their participation in multilateral institutions according to whether they are aligned with national interests and the effectiveness and efficiency of the 192 multilateral organizations. Despite the many benefits of these institutions, questions are increasingly raised as to whether some are fit for the 21st century. Members worry about overhead costs, creep and waste, cumbersome bureaucracy, inefficiency, constraints from layers of well-intended standards and rules, slow and inflexible processes and responses, and ability to partner with the private sector. Resident boards can be expensive and micromanage.

While several countries conduct multilateral aid reviews to benchmark international organizations against effectiveness criteria and links to national interest, the U.S. does not conduct any such exercise, leaving its approach to multilaterals without a coherent strategic framing.

At a strategic level, there is the question as to whether some multilateral institutions are relevant today and have atrophied. Why today should the U.S. and Europe have the right to designate, respectively, the head of the World Bank and International Monetary Fund? In a world buffeted by an array of new challenges, are multilateral institutions structured to face today’s problems—state fragility, pandemics, and terrorism, among many others? With 5 percent of the world’s population, should be the U.S. have the right of veto in institutions? It does not have a veto in the Organization of American States, but the level of its influence is driven by its action/inaction, not by its voting power. With the governance of institutions resting with its members, how to bring about reform when their interests are so diverse and actually hinder good leadership?

One participant identified the need for reform of multilateral institutions at three levels. At the institutional level, a rethink of how they are structured and governed is needed. In mindset, they need to take on and be held accountable for the 2030 global goals and
the Paris climate accord. Operationally, they need to develop new modes of tri-sector approaches to advance the development agenda and the SDGs.

Several participants suggested that the proper leadership position the U.S. should assume is that of the more collaborative servant leader based on values rather than just power.

During the discussions, there were various references to linking the agenda for reforming U.S. aid architecture with the agenda for reform of multilateral institutions. This raised the question of whether the current U.S. bureaucratic responsibility for specific multilateral institutions is stove-piped and supports clientitis.
Overheard at the Roundtable

Liz Schrayer
President & CEO, U.S. Global Leadership Coalition
“This is not just a short term conversation. This is long term and that requires advocacy of the right message with the right messengers.”

Ken Wollack
President, National Democratic Institute
“If the value for money was better understood, more people could appreciate the importance of foreign assistance.”

Ann Mei Chang.
Executive Director, Lean Impact
“We should build on existing successes to expand the development tool chest to systematize and simplify catalytic and hybrid funding across a much broader range of purposes.”

Henrietta Fore
Chairman & CEO, Holsman Internation
“There are many terrific ideas and plans for reform. But you cannot do all of them. And if you were in the administration or in Congress, you do not have the time to sort through them all. We need to coalesce and we need to coalesce around one plan. We’re not going to get everything that any one of us wants, but this could really help this conversation.”

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The nature of the topic for the 2017 Brookings Blum Roundtable—the existential challenge to U.S. foreign assistance budget and structure—led participants to think in terms of key takeaways. What evolved from the three days of discussion was consensus around four areas of follow-up—U.S. development leadership (resources and institutional reform), policies to advance collaborative approaches, messaging, and new areas for exploration.

**U.S. development leadership—budget and institutional reform**

The U.S. engagement in contributing to solutions to global development challenges—poverty and economic growth, meeting the global 2030 goals, climate change, state fragility, threats to international norms, etc.—is inherently in the U.S. national security interest. The U.S. contribution is through financial resources and the knowhow and solutions driven by multiparty collaboration involving government, civil society, foundations, private sector, and universities and in partnership with local actors and communities. The goal is to engage with those actors and communities to assist them to become more empowered and self-reliant.

Budgets are more than money. They set policy and leverage U.S. leadership around the world and in key international institutions. They must be linked to strategies and policies and must provide adequate resources for the skilled and experienced personnel required to implement programs. Our development and diplomatic efforts are at the frontline of U.S. national security; they are the force for addressing global challenges so our military might does not have to be activated. It is pennywise and pound foolish to shortchange the international affairs budget and costly to the national interest.
As for institutional reform, development and diplomacy are distinct disciplines and cultures. For U.S. foreign assistance to be effective and efficient, the lead aid agency (USAID) must be independent but closely coordinated with the State Department. There was agreement on the need to better align functions to establish clear lines of authority and accountability, according to the mission and capabilities of each agency. Systems like information technology, human resources, and procurement in both State and USAID are in sore need of upgrading.

With regard to development finance, for the U.S.'s capabilities to be relevant to the dynamics and demands of development, U.S. instruments should be consolidated in a new development finance corporation with enhanced authorities and capabilities. There was considerable interest in proposed legislation to establish such an entity.

If development assistance is such a small portion of the resources available to developing countries, then in most instances (outside of humanitarian programs), it cannot be the source of finance for service delivery, but must be catalytic. If assistance is to be catalytic, then structures and policies must support innovation and risk, as is the mission of the USAID Global Lab. If assistance is to be transformative, then it must be focused on solutions that if successful can be scaled up by government or the private sector, or jointly. The objectives of innovation, risk-taking, and scale should inform proposals for redesign of the aid architecture.

**Policies to advance collective approaches**

Fragility is seen as the central challenge to development. Developing coherent, comprehensive approaches that intertwine economic, political, and security solutions will be required to address fragility. Participants expressed interest in draft legislation that would require a strategic approach to state fragility. They are open to taking part in follow-up convenings to raise the profile of dealing with fragility and developing flexible, country specific approaches.

Multilateral institutions are seen as key instruments for U.S. engagement and leadership in the development space. While they bring many assets and advantages, like the U.S. aid
architecture, they are not fully fit for purpose for the 21st century. What is needed are new ways to assess individual institutions, advance appropriate reforms, and link the agenda for reform of U.S. foreign assistance structures to multilateral reform.

**Messaging**

Throughout the three days, the discussion returned to the need to get the message on the role and value of foreign assistance right and delivered. On the one hand, decades of polling reveal that the American people respond best to messages that represent our values—responding to humanitarian crises; a desire to advance health, education, and democracy; and the importance of respect for basic human rights.

On the other hand, decades of working in the policy and political arenas confirm that messages to Washington policymakers must be broader and more nuanced, as individual policymakers may respond to one or all three of the rationales for foreign assistance—security, values, and economics.

**New areas for exploration**

Is China friend or foe? Is China a competitor and threat to U.S. interests or a potential ally? The answer may be both, but there needs to be deeper understanding of how China operates in the development arena and where there are opportunities for collaboration.

Another important area for exploration is global preparedness for pandemics. Pandemics are a threat to the U.S. and world’s security, values, and economic well-being. Waiting to respond to a new pandemic may be too late and prevention and containment plans must be in place before the next crisis hits. Fragile states are especially vulnerable, as they lack the competence and legitimacy to deal with a pandemic onset. Solving the interconnected challenges of the adequacy of pandemic surveillance and response capacity and state fragility is essential.
List of participants

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The 2017 Brookings Blum Roundtable Policy Briefs are available at www.brookings.edu/bbr.

Homi Kharas
“U.S. global development leadership in a changing world”

Liz Schrayer
“The politics of foreign aid”

George Ingram
“Institutional architecture of U.S. foreign aid”

Nancy Lindborg
“Handle with care: The challenge of fragility”

Homi Kharas
“Multilateralism under stress”

Steven Kull
“American public support for foreign aid in the age of Trump”