Invigorating U.S. Leadership in Global Development

BROOKINGS BLUM ROUNDTABLE 2018

Post-Conference Report

CO-CHAIRS:

Richard C. Blum

Homi Kharas

AUTHORS:

George Ingram

Homi Kharas

John W. McArthur

Anthony F. Pipa

B | Global Economy and Development at BROOKINGS

Pictured above (from left to right): Homi Kharas, Mary Robinson, John R. Allen, Annette Blum, Madeleine K. Albright and Richard C. Blum in celebration of 15 years.

Celebrating 15 years

From August 1 to 3, 2018, around 40 prominent policymakers, development practitioners, and leaders from industry and academia came together from the public, private, and nonprofit sectors for the 15th annual Brookings Blum Roundtable in Aspen, Colorado to discuss the future of U.S. leadership in foreign assistance. The 2018 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.

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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.

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. The roundtable's organizers extend special thanks to Jennifer Cohen and Joshua Miller for their excellent event planning and coordination; to David Batcheck and Merrell Tuck-Primdahl for their strong editorial support; and to Kristina Server, Jacqueline Sharkey, and Valeriya Ten for ensuring the meeting's success.

Richard C. Blum

Founder and Chairman, Blum Capital

People here, by and large, are prisoners of hope, and just want to make the world a better place. Back in 1978 and the early '80s there was no doubt in my mind, that we and China were partners. I'd like to think we still can be partners.

Madeleine K. Albright

Chair, Albright Stonebridge Group

I'm a refugee myself...people would prefer to live in the country where they were born. I think that our tool in aid is to try to help improve the countries where [migrants] are coming from in order to make them want to stay there. And I think that is the way to try to sell it.

John R. Allen

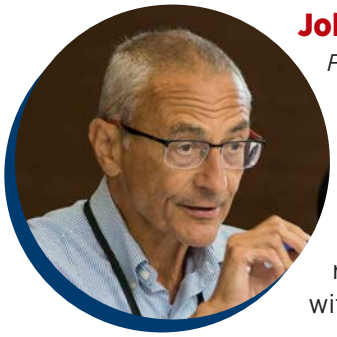
President, Brookings Institution

I draw the distinction, actually, between U.S. leadership and American leadership...Because American leaders are not confined by an ideology. They are not confined by a dogma. They can be prone to network capacity. They are agile; they are quicker. They have a greater context for burden sharing.

Steven Kull

Director, Program for Public Consultation,
School of Public Policy, University of Maryland

Americans fundamentally have compassion. They have a moral response to poverty in other countries. They don't want to spend a lot of money on it, but they are comfortable with what we are spending now. They don't want to cut it.



John Podesta

Founder and Director, Center for American Progress

This summer's gathering was, I think, in stark contrast to last year where fear abounded about abandonment, not just of leadership, but of the entire project of being a good partner in the global development as we reflect on the budget, to the State Department reorganization, et cetera. This summer has been in contrast, and significantly...because of the work of people in this room, we have catalogued successes and we have much to celebrate, starting with a competent serious-minded Administrator in Mark Green.

Overview

The 2018 Brookings Blum Roundtable, held in collaboration with the Aspen Institute, focused on the durability of U.S. leadership in global development. The U.S. contribution to international development over the past 75 years, beginning with the Marshall Plan and the establishment of the Bretton Woods institutions, has been extraordinary. The U.S. continues to be the largest foreign aid donor in absolute terms and, as such, deploys indispensable assets at the service of development cooperation. America has a long history of well-endowed public and philanthropic institutions that have extensive knowledge of, and learnings from, development activities. Yet the past may not be prologue for U.S. development cooperation.

The roundtable convened leaders from the administration, academia, think tanks, international organizations, foundations, business and non-profits. The bipartisan group wrestled with the mixed signals emanating from Washington with respect to the direction of U.S. development cooperation. They discussed budgets, structural reforms of development agencies, new approaches to operating in fragile contexts, opportunities for leveraging multilateral institutions, the role of non-governmental partners, and ambitions as well as tension related to China and other increasingly powerful players.

One feature of the discussions was the abiding uncertainty prevailing at the time of the roundtable. On the one hand, there are signs that the current administration is trying to pull back from global development: its proposed 30 percent cut to the international affairs budget account, withdrawal from the Paris Agreement on climate change, and disregard of the Sustainable Development Goals (SDGs) signal this. On the other hand, reforms that strengthen USAID's ability to be a more coherent, relevant player and legislative action to reimagine the Overseas Private Investment Corporation (OPIC) through the BUILD Act are widely seen as positive. In addition, the reversal of the rescission proposals to remove budget authority from the State Department, USAID, and the Millennium Challenge Corporation (MCC) point to a more supportive view of budget drivers in Congress—based on value-for-money and effectiveness rather than the symbolism of dramatic cuts in aid.

Rapid global changes are afoot in many areas, propelled in no small part by artificial intelligence. To be effective, development cooperation must reflect these changes.

Three recurring themes explored during the roundtable will deeply affect development cooperation in the medium-term: the evolving nature of international networks devoted to solving global development problems; the changing balance between the activities of federal U.S. government agencies and a broader concept of American leadership; and the choices posed between U.S. and Chinese ideas and approaches to development.

Networks

In the U.S. and elsewhere, the concept of leadership is evolving away from a command-and-control structure towards alliances held together by aligned values and goals that permit the pooling of resources and capabilities for joint problem solving. As Anne-Marie Slaughter outlined in her book, *The Chessboard and The Web*, understanding strategies of connection in a networked world is vital for all modern organizations and essential to successful U.S. development cooperation. These alliances or networks can take different

forms—centralized, distributed, flexible—and can be applied to different types of problems or tasks—resilience or scale, for example. Each type has a different structure, so it is not helpful to think about leadership generically. Instead, one should first think about the nature of the problem, then determine (and construct) the network that can solve it. Leadership is then about building and managing that network. Some, such as distributed networks, have no central focal point and any, or all, of the nodes can be at the forefront, encouraging others to join in to widen the web.

This kind of analysis helps in understanding the role of individual agencies in terms of where they fit in broader global networks. U.S. institutions, as well as multilateral institutions in which the U.S. has considerable sway, need to configure themselves to take advantage of the network(s) within which they operate.

American leadership

With this in mind, it became apparent that U.S. leadership on development cooperation extends not just from the federal government in Washington, but also from the thousands of single and multi-tiered networks of individuals and institutions across the country. Changing from the frame of U.S. government leadership being in charge to American leadership building and guiding networks is important. It requires a web craft rather than a statecraft mindset. While there may be a retrenchment in U.S. government leadership, American leadership seems to be expanding and networks with American groups in the nodes are growing—networks of local governments, civil society organizations, citizen groups, business coalitions, and academic institutions, for example.

These networks are increasingly organizing themselves around the Sustainable Development Goals (SDGs) agreed by 193 member nations at the United Nations (U.N.) in 2015. Built around a common language of development, SDG-related networks now include business. Businesses, in turn, no longer view the SDGs as something they should do as a matter of corporate social responsibility; instead, they are treating the goals as opportunities for improved talent recruitment, financial performance, and risk mitigation.

The world urgently needs better networks to support people living in states with fragile contexts, which is a priority area for U.S. leadership. As the largest provider of humanitarian assistance in the world, and the largest guarantor of security in the world, the U.S. is in a unique position to connect the humanitarian-development-security communities and develop fresh approaches.

The clear choice between the U.S. and China

China has become a major player in global development cooperation, but it deploys starkly different modalities from those advanced by the U.S. Analysis of China's signature Belt and Road Initiative reveals that the country's engagement with the developing world has a long-term horizon. This has led some, including USAID Administrator Mark Green, to describe a clear choice between U.S.-led development and approaches of others, notably China. The latter appears to offer easy money and quick results, but is built on debt, potentially in unsustainable amounts. The new U.S. approach, by contrast, centers on the idea of self-reliance, powered by private enterprise. Epitomized by initiatives such as Power Africa, the U.S. approach avoids an emphasis on either loans or handouts.

The problem with relying on the private sector is that its activities cannot be readily programmed. Western businesses, for example, are often reluctant to take on excessive risk. Private investment in infrastructure, in particular, faces three major hurdles:

(i) operations in developing countries carry inherent risks, often political, simply associated with their location and the policy uncertainty of weak governments, institutions, and regulators;

(ii) infrastructure itself is considered a risky investment, with specific risks associated with construction, land acquisition, and social and environmental safeguards; and

(iii) both equity and debt investments must be made with a long-term horizon, as revenues may not start flowing for a decade or more from initial concept and project design.

Businesses from other countries, including China, India, Russia, and Turkey, may be more prepared to bear risks of this kind because they have familiarity with the implications given conditions in their own countries, and because they may have formal or informal guarantees from their governments. Given this, the clear choice from a developing country perspective may not be between the U.S. or Chinese form of development cooperation, but between scaling up infrastructure investment with Chinese assistance or doing without.

From a U.S. point of view, the issue is how to balance relations with China as a potential competitor or collaborator in global development. Fostering the stability and prosperity of recipient countries is in the interests of both donors. In addition, both have considerable resources and expertise to offer in areas such as renewable energy or food security. At the same time, both compete for influence overseas.

The prevailing U.S. narrative that Chinese development projects are plagued by weak standards and leave a legacy of high debt and political strings is too stark. There is little evidence of significant differences in outcomes between Chinese-supported projects and those funded by other nations, despite big differences in terms of safeguard policies during project design. On the one hand, there is considerable evidence that the speed of implementation of Chinese investments and the creation of physical infrastructure has benefits.

On the other hand, the prevailing Chinese claim that their projects are always beneficial for the recipient country may also be too stark. Debt problems have already arisen in selected cases and will likely mount as the scale of cooperation expands over time. Corruption, cost overruns, inadequate maintenance, and proper asset utilization once recipients take control of the investments all remain a concern.

China may have fresh, new ideas to offer that have worked in their own context, including an emphasis on infrastructure and connectivity and the role of manufacturing and industrial zones. The country's state-centered focus on economic growth, industrialization, and job creation is certainly attractive to many leaders in poor countries.

However, the U.S. has important ideas that have stood the test of time, based on values of good governance, human rights, accountability, transparency, and empowerment of people, including women and minority groups. The foundation for development, in this view, is the creation of an inclusive economy responsive to the multiple preferences of civic actors in society.

The U.S. and China share a vision based on the human need to escape poverty, eliminate hunger and build opportunity for themselves and their families. Increasingly, one can add that both also stress environmentally sustainable growth. The U.S. and China, the two largest emitters of carbon in the world, have a responsibility to find pathways to low-carbon growth trajectories for their own economies. The two countries should, in turn, share those experiences with others.

The overlap between the U.S. and China's vision for the future offers hope for more collaborative engagement between the two big donors in the global development sphere. Such collaboration may work best when done along with multilateral organizations, especially in support of the SDGs.

Anne-Marie Slaughter

President and CEO, New America

Today the modal relationship in the world is not conflict, as in the Cold War, but connection. We still see plenty of conflict, but connection, misconnection, and disconnection are the starting point for most global problems and opportunities. And yet we do not think strategically about connection: whom to connect, with what structure and under what circumstances, and how to manage the resulting structures: networks, alliances, and coalitions. How do we design a network—any structure with nodes and links—in the way best calculated to accomplish a specific goal?

Ann Mei Chang

Author, Lean Impact: How to Innovate for Radically Greater Social Good

I think it is unrealistic to think we are going to raise the 2 to 3 trillion dollars annually (needed to achieve the SDGs), so we need to invest more in the R&D and innovation that will help us get more bang for buck for the dollars we have.

J. Brian Atwood

Senior Fellow for International and Public Affairs,
Thomas Watson Institute for International Studies, Brown University

But the issue is really accountability. And then the question becomes: How do we measure the progress that's been made country by country. Is there an objective institution that exists that can do the studies that bring the data forward to see whether or not we're making progress?

Derek Mitchell

President, National Democratic Institute

It gets to American leadership. We can't lead without others. I mean it can't just be us plowing through, certainly in today's environment. If we're dealing with the rise of China, it has to be done in concert and coordination with others.

Carolyn Miles

President and CEO, Save the Children

I think one of the most important things we can do is arm people in countries with [data], so they know what their governments are doing and what they're not doing; and helping those, whether it's networks of networks, or local community groups, or coalitions, really use that data to say: this isn't getting to the poorest people in our country.

U.S. foreign assistance in the age of the SDGs

The SDGs set objectives for achieving inclusive, peaceful, and sustainable prosperity by 2030 in all countries. The targets include a major focus on problems like hunger, poverty, and lack of opportunity. The reason the SDGs are universally accepted is that they are outcomes that people want. Within just a few years, more than 150 countries, including almost all OECD economies, have either already presented or committed to present, by mid-2019, their national strategies for implementing the goals.

The United States is the only G-20 country who has not yet presented a plan, nor expressed any intention to do so. In the U.S., the SDGs are not on the radar screen of senior administration officials, and the U.S. has tried to avoid mention of the SDGs in international documents such as the G20 Communique.

This distancing could leave the U.S. at a disadvantage in development cooperation.

Can the SDGs take hold across America?

There are significant benefits to the U.S. adopting the SDG frame.

The SDGs are presented as a global partnership (goal 17) in which all governments (and many non-governmental actors) need to play a part. The essence of this partnership revolves around an acceptance that everyone shares the burden of actions to achieve the goals. This provides an opportunity for a new narrative, one in which the U.S. is willing to do its fair share and to contribute wherever it has a distinct advantage—in its global reach and convening power—but does not necessarily take the lead.

Polls indicate that American citizens may be more willing than Washington to cede control and decision-making power in favor of an SDG-like partnership role. A recent poll by the Program for Public Consultation at the University of Maryland's School of Public Policy showed that 69 percent of Americans, including 58 percent of Republicans, preferred burden-sharing options for global poverty efforts, compared to only 28 percent favoring more directly controlled bilateral actions.

The SDGs provide a framework for collaboration and cooperation among many different actors. They provide a common lexicon used by national governments, local governments, business, philanthropists and civil society activists. The goals themselves serve as reference points, lodestars to guide actions and to understand spillovers when activities have an impact on several goals simultaneously.

Cities are already developing SDG plans, with New York City being the first to present a formal voluntary local review at the U.N. this year. It is important to bring in local governments because they serve to link what is going on in individual communities with what is going on in the world. The SDGs, with their disparate and complex 17 goals, are a peoples' agenda, not an elite agenda (which would have been more neatly crafted as 10 goals at most). By providing a common lexicon applicable globally and locally, the SDGs can help communities align. One of the salient political lessons from recent years is that, if local communities aren't succeeding, then the underpinnings for international cooperation won't succeed, and vice versa.

Business is also showing interest in the SDGs. A growing number of prominent firms have stressed the importance of the SDGs, ranging from Unilever, the global conglomerate, to Temasek, the Singaporean pension

fund, alongside industry groups like Keidanren, the Japanese business federation, and GSMA, the global association of mobile operators. Business support for the SDGs arises in part from enlightened self-interest. In 2017, the Business Commission on Sustainable Development identified a $12 trillion market opportunity for new SDG-aligned business models across four sectors. The American business community can potentially play a crucial role in advancing the SDGs. The U.S. Chamber of Commerce, for example, could build on what counterparts have been doing elsewhere to articulate an active global and national SDG position.

A core emphasis of the SDGs revolves around the commitment to ensure "no one left behind." Even the most advanced economies, including Canada, the U.K., and the U.S., face deep and persistent challenges of inequality and exclusion. Yet the notion that we should start with a focus on those furthest behind has not yet translated from rhetoric into reality. Instead, inequality is on the rise in many countries and its manifestations are cause for moral outrage: as Save the Children, Mercy Corps, and others report, a child in a poor household is 60 percent more likely to be malnourished and 40 percent more likely to die than one in a wealthier household. Presented with such data, one can understand how the SDGs can claim the moral high ground. Indeed, Agenda 2030, which encompasses all 17 goals, focuses not just on a state-centric drive for economic growth, but on building an inclusive economy with multiple civil society actors involved in the shaping of society. If the U.S. cedes its moral ground, any ensuing vacuum that results will be eagerly filled by others less committed to helping people in need. That would be inimical to U.S. national interests, since achievement of the SDGs would make millions of people less susceptible to, and more resilient in the face of, violent ideologies.

In many ways, the SDGs offer a chance to move from transactional to transformational development. Such a shift depends not just on the specifics of what donors do, but also on what they do not do. A successful pivot requires a comprehensive strategy that also brings together trade, innovation, and investment, along with aid.

If SDGs are the right frame, how should U.S. foreign assistance adjust?

Are U.S. organizations adequately aligned to take on today's complex development challenges, or are they outdated? Although a considerable amount of U.S. foreign policy focuses on global security, today the most consequential relationship is with China. While the two countries may do things differently and in competition, they can still find common interests and opportunities. Realistically, the SDGs will not advance fully without a broad agreement between the two countries.

China has embraced sustainable development as a route to a more harmonious, environmentally friendly, well-rounded society. The Chinese leadership (until recently) has been largely comprised of scientists and engineers, who frequently see opportunity in new, green technologies. U.S. policymakers, with a leadership of lawyers and business people, tend to see greater trade-offs between growth and environmental and social sustainability. Breaking down the silos between the environmental and development communities would be a useful advance in the U.S., considering the strength of non-government and local government engagement in each area.

Businesses do not differentiate between environment and development concerns. They look more holistically at ways to solve problems and seize opportunities. Businesses are now reporting on sustainability measures, since they recognize that such tracking can inform their bottom line and connect to their long-term financial profit. Companies have formed a range of pre-competitive alliances to establish norms of sound practices that build in sustainability. They are also working to identify sustainability problems requiring breakthrough solutions so they can then invest in research and development where it is most needed. Busi-

nesses understand scale, and the price points required to achieve scale. Bringing them into development networks is critical for success.

As networks for solving development problems increasingly function horizontally, those in leadership roles must help determine or clarify goals, curate the membership, proactively connect members, cultivate capabilities, then catalyze action toward the objectives. The conception of network leadership needs to shift from steering a supertanker to guiding a flotilla. As networks continue to evolve in the face of looming disruptions driven by artificial intelligence, the U.S. needs to think beyond the flotilla to prepare for a swarm.

Decentralized networks have decentralized accountability. For years, project-based development has pushed donors to take accountability for the success of their interventions, regardless of rhetoric about putting recipient countries "in the drivers' seat." In the case of the SDGs, the question becomes how we measure progress, country-by-country, and which institution can best monitor progress and forecast trends. The U.N. has the legitimacy to do this, but still lags in implementation and, in some cases, must rely solely on data provided from official sources of its membership. It is difficult for the U.N. to hold its own member governments accountable for their progress.

Key takeaways

- The roundtable reached a consensus that the SDGs are worth pursuing.
- Participants drew a distinction between statecraft and web craft in global leadership, noting that outcomes are best when the two are aligned.
- They noted today's contrast between formal institutional "U.S. leadership" versus the broader societal role of "American leadership."
- Major cities, philanthropies, and foundations are participating in networks and alliances that can be highly consequential for SDG leadership and implementation. Yet the practical question of how to finance such networks to include relevant partners, beyond those that are well-funded partners, remains problematic.
- Polling data discussed during the roundtable revealed continued strong American public support for foreign assistance focused on humanitarian aid, development assistance, girls' education, and helping farmers become more productive. Even when canvassed for ideas to close budget deficits, those polled opted to protect foreign aid.
- Burden sharing is a positive aspect of multilateralism for most Americans and merits emphasis when communicating the benefits of working with others.
- The SDGs could be an anchor for longer-term China-U.S. economic collaboration in a context where other advanced and emerging economies would also participate.

Raj Kumar

Founding President and Editor-in-Chief, Devex

Maybe we can use the Department of Defense as kind of an analogy for how we think about our foreign assistance infrastructure. We don't need evidence to say we should have a robust military. We know we should have a robust military because we have a philosophy and a theory behind that. And I think, similarly, we can argue that we should have a robust foreign assistance infrastructure.

Wade Warren

Chief Strategy Officer for International Development, Deloitte Consulting

Even though Congress didn't accept the Administration's proposed budget cuts, the Government does publish that budget, and so it makes for a very real, difficult dynamic for USAID's staff—especially the staff in the field—to have to relate that the Administration, if it had its way, would zero out programs in many countries. So, I would just remind that a budget with draconian cuts, even if it's not ultimately what USAID ends up implementing, does have real implications for the Agency's relationships with our partner countries in the field.

Robert Blair

Associate Director for National Security Programs, Office of Management and Budget

Develop, it's an action verb, right? To develop, what are you developing toward? And one of the strengths of Mark Green's new framing for USAID is that he's trying to put metrics around the development continuum and link very clearly how our investments are moving a country along that. The root of the discussion has to be in evidence.

Susan Fine

Senior Deputy Assistant Administrator, U.S. Agency for International Development

The notion of self-reliance is that we want to help our partner countries get to the point where they can manage and finance their own development. That doesn't mean that they're doing it all by themselves. There is clearly a vision that the U.S. needs to have a continuing partnership with these countries.

Sam Worthington

CEO, InterAction

I think the challenge is the U.S. has stepped back from a global leadership role in development on a number of fronts...How does the rest of America engage, and can we make up some of the gap as the U.S. Government is leaving?

Resources and redesign in State and USAID

Redesign

To grasp what the redesign of individual U.S. government agencies should entail, one must understand the context of the entire network. For example, while there is broad support for humanitarian programs to save lives, currently the sort of inter-agency coordination needed to make such programs effective is suboptimal.

Partnerships with the private sector are vital to successful development. The U.S. Trade and Development Program supports feasibility studies for a potential engagement of a U.S. company; OPIC helps finance the investments; USAID works to improve the investment environment; and the Millennium Challenge Corporation (MCC) helps build key components of economic growth. It is critical to see how these pieces fit together to understand how the U.S. advances its development agenda.

At present, this network of U.S. public sector entities appears fragmented and inefficient—multiple U.S. government agencies are carrying out competing and overlapping development functions. Several participants suggested that the next iteration of reform should be to consolidate development assistance and development finance into a cabinet level department of development. Besides providing program coherence and global leadership, such a consolidated agency can enlist individual Americans and link in networks of civic organizations, local government, and business. Participants noted that the Department of State thinks about the U.S. beyond America's borders, while a development agency can link networks of American organizations and individuals to engage with other countries on their development.

Realizing this long-term vision of a redesigned U.S. aid system will take considerable effort. State and USAID embarked on separate reform agendas, but with markedly different outcomes. Some agencies improved, but systemic transformation remains elusive. This has raised distrust and confusion.

Resources

A broad bipartisan congressional coalition rejected the proposed cut of almost one-third in foreign assistance laid out in the administration's first two budget submissions. The suggested cuts caused considerable uncertainty among development partners, implementers, and other donors. The U.S. intent to withdraw from the Paris Agreement and the government's disregard for the SDGs raise further concern about U.S. intentions with respect to global development.

The disconnect between Congress and the administration on the budget—the "yo-yo effect" of programs repeatedly expanding then slowing down—is confusing to USAID staff and other U.S. government agencies, and is particularly disconcerting to partner countries. The administration view is that foreign assistance should be part of a concerted approach by the U.S. government to deal with administration objectives, often centered on relationships with a foreign country. The Trump administration largely rejects the link between current funding and its objectives in the existing panoply of aid programs put forward in the Foreign Assistance Act and annual appropriations bills, many of which carry over from the Cold War and may have lost their relevance in the eyes of the administration. Congressional earmarks limit the ability of the administra-

tion to program foreign aid to meet immediate objectives. Because of this limitation, critics think funds are spent abroad in ways that do not respond to the new strategic environment.

A counter-argument is that the U.S. needs a strong development cooperation program with legitimate debate around relative priorities, programs, and methods that are most effective, rather than blanket budget cuts. This would appear to be the bipartisan congressional consensus and the view of most Americans, as evidenced by polling data.

Congress and the population more broadly see benefits for the U.S. in extending foreign assistance. Their arguments range across national security, humanitarian values, and economic benefits, all of which help reduce violent extremism. Particularly important is development assistance as an antidote to mass migration. Yet the evidence on this is mixed and may even be contrary—higher levels of development initially give rise to a greater propensity to migrate, as the financial and informational costs of migration become more manageable for migrants.

U.S. aid effectiveness

Improving the effectiveness of humanitarian assistance and development finance are longstanding concerns. In the case of humanitarian assistance, inefficiency is glaring—the Department of State and USAID are both implementing humanitarian relief with different policies and procedures, which shift just because a person crosses a national border. No single, strong U.S. voice within the interagency and international milieus exists to advocate funding and policies for humanitarian relief. Regarding the gap in development finance, the outdated authorities of OPIC spurred the administration and a bipartisan group of members of Congress to replace OPIC with a newly conceived and legislated U.S. International Financial Development Corporation Agency (IDFC) (see following section).

The core focus of current debates center on aid effectiveness and return on investment, or value-for-money. This is where the issues of budget and structural reform intersect, as manifested in the organizational transformation underway at USAID. The restructuring launched by Administrator Mark Green builds on reforms undertaken by the prior administration in the areas of policy, budget, evaluation, private sector engagement, and innovation. The new USIFDC will better align functions and programs and strengthen USAID's ability to lead and speak coherently on development and humanitarian issues. It will also allow the agency to work more effectively on fragility and will facilitate learning within the organization.

Journey to self-reliance

The restructuring is accompanied by upgraded USAID policies and procedures built around a "journey to self-reliance". The approach aims to help partner countries arrive at a point where they can manage and finance their own development. The agency is designing a roadmap with metrics to inform how USAID can better help countries move away from aid dependency while maintaining active country partnerships.

Opinions on the ramifications of the journey to self-reliance are mixed. Some note that other donors and partner countries position their work in the frame of the SDGs and see self-reliance as signaling that countries and people will quickly lose eligibility to receive aid. Some are concerned that linking aid too closely to national interest rather than values could transform USAID into a short-term, hard power policy tool instead of a soft power tool. Others see compatibility between the journey to self-reliance and the SDGs. Both are long-term strategies built on country ownership designed to raise the capabilities of countries to better meet their own needs.

Equally important is long sought-after change in how USAID does business, specifically how it engages as a more collaborative donor by reforming procurement, moving decision making to the field, and being more open to new partners, the private sector, and innovation. While USAID has long-financed its programs through grants and loans, it is now seeking other, more innovative financing mechanisms. These reforms will allow USAID to expand its network of partners.

Department of State

The transformation underway at USAID stands in sharp contrast to perpetuation of the status quo at the Department of State. Surprising, as it was Secretary of State Rex Tillerson who headlined the redesign of State and USAID. However, the effort at State appears to have stalled, with no sign of resurrection. More to the point, the restructuring at USAID would be more effective if there was a comparable updating of State, such as reconfiguring the F Bureau. That could help strengthen the interplay of policy and budget at USAID, and likewise could be the basis for State to better mesh with the USAID consolidation to deal with resilience and fragility.

Key takeaways

- The articulation of the priorities for development assistance, which is essential, is still a work in progress.
- Once realized, such priorities could inform a new mandate for development in the U.S. government.
- Such a mandate could build around the theme of self-reliance, which appears to resonate with Americans. Such a theme is fully consistent with the SDGs, although the links have not yet been clearly set out.
- A robust development mandate would define America's role in the world and link to issues of immediate concern such as security, economics, and migration as part of that mandate.
- While evidence about what works should determine funding, best-practice evidence alone will not be enough to answer the existential question of how the U.S. can adopt an optimal, robust approach.
- While fragmentation exists, especially between USAID and State, its impact should not be overstated.

Jane Nelson

Director, Corporate Responsibility Initiative, Harvard Kennedy School of Government

If we are talking about ways to scale business engagement and advocacy for global development and the SDGs, there's a good collective action model linked to the climate agenda where business leaders from almost a thousand companies participated in a hub of hubs, a coalition set up by seven business and investor-led coalitions, in an initiative called We Mean Business.

Rob Mosbacher

Co-Chair, Consensus for Development Reform

So what you have is not just a new U.S. Development Finance Corporation, but one that can co-lend and co-invest much more effectively with other DFIs from around the world, thereby doubling or tripling the impact. And it offers a very compelling counter narrative to the story that the Chinese represent the only game in town.

Elizabeth Littlefield

Senior Counselor, Albright Stonebridge Group

In a time when there is so much distrust and misunderstanding in the world, U.S. businesses investing alongside local businesses project the best of American values, goodwill and spirit of partnership, especially when they are building the things people want most, like power, housing, schools and jobs. It is one of our most tangible, concrete, cost-effective and fast tools of foreign policy.

Alix Peterson Zwane

CEO, Global Innovation Fund

Let's create vehicles that meet innovators where they are. Let's support them to use a variety of different financial instruments depending on the context and let's develop ways to measure social returns and pay for that directly.

Matthias Berninger

Vice President of Public Affairs, Mars, Incorporated

More companies need to be measured against whether success against some of those indicators really is rewarded because, otherwise, we end up where Upton Sinclair was. You can't make a man believe one thing if he is paid for believing the opposite.

Development finance

Development finance has until recently been equated with official development assistance (ODA), i.e., grants and loans well below commercial lending rates, mostly governmental, but some from foundations. With many countries entering lower and middle-income status now more able to afford market or near-market rates, the opportunity to marshal private finance beyond stagnating ODA to achieve the ambitious SDGs is rising. This is ushering in innovative forms of finance, which is in turn redefining development finance. As commonly defined, development finance refers to the joining of public and private resources to facilitate private sector investment in developing countries—or more specifically, the use of public resources to blend with private sector flows to encourage business investment by reducing risk.

OPIC

In recent years, OPIC, the principal U.S. government instrument of development finance created in 1971, was deemed inadequate to meet the burgeoning need and opportunity for development finance. Unlike its European sister agencies, OPIC lacked the ability to engage in equity investment and provide technical assistance and support feasibility studies. Also, OPIC is inadequately staffed and can only finance investment projects with American ownership.

The BUILD Act

After years of policy and legislative proposals to strengthen OPIC, by early 2018 sufficient support in Congress and the administration had coalesced to advance the Better Utilization of Investment Leading to Development (BUILD) Act, to create a successor agency, the U.S. International Development Finance Corporation (IDFC). Several key participants in the design and advancement of the BUILD Act were at the roundtable and explained how the legislation would upgrade U.S. capabilities. Unlike OPIC, the IDFC will have the authority to: provide equity finance and technical assistance, offer loan guarantees and denominate them in local currency, double the level of contingent liability ($30 billion), and support projects beyond those with U.S. investors. These new capabilities will allow the IDFC to provide a continuum of support, from the nascent stage through to full investment, and provide a more varied and higher volume of deals.

The new IDFC will be on a par with other development finance institutions (DFIs) and facilitate its ability to co-invest and co-lend, in line with the new norm for DFIs. Collaboration can extend to supporting individual deals, building a pipeline of projects, and sharing country diagnostics. Collaboration would bring access to the advantages that other DFIs have—staff in the field, capacity to generate projects, and strong environment and social safeguards. Co-investing under this new model will entail risk sharing.

USAID-IDFC Relationship

The discussion of the BUILD Act, signed by the President on October 5, 2018 included a focus on implementation. Of prime concern is the relationship between the IDFC and USAID. There is broad consensus that the two entities need each other. The IDFC, with no field staff and new to technical assistance, needs the USAID staff and experience both to generate deals and understand how best to extend technical assistance.

USAID, with the private sector embedded in many of its programs, needs the IDFC capability to support the investment needed to bring certain projects to full fruition and sustainability.

The legislation seeks to cement this relationship by making the administrator of USAID the vice chair of the board. This would give the administrator a role in appointing the IDFC chief development officer and in providing strong development mandate to the IDFC. Getting two government agency systems and staff in sync is no easy task. Getting there will require a mutual respect, a consistent tone set at the top, training, co-location, and the right incentives. Avoiding the initial animosity and lack of respect that characterized the relationship between USAID and the MCC upon the latter's creation is a *sine qua non* for laying the foundation for agency collaboration, which, even under the best circumstances and intent, will be difficult to achieve.

Risk

A second issue is how to meet the legislative mandate to target priority assistance toward low income and fragile countries. There was a difference of opinion regarding whether the IDFC can find sufficient deal flow in poor and unstable countries. Some view the absence of U.S. investors in those countries and the exigency of capital preservation as serious impediments to the IDFC identifying projects to support in poor and fragile countries. Others note that sharing risk would help attract investors and that breaking the U.S. nexus would allow the IDFC to support a broader range of investment projects with non-U.S. investors. The IDFC needs to be careful in utilizing this greater flexibility, as it could be a flash point with members of Congress.

Many consider development and multilateral finance institutions to be excessively risk adverse. The U.S. should use its presence on the boards of multilateral and regional development institutions to push for greater risk taking. In reality, there often is strong entrepreneurial spirit in poor and fragile states. By taking greater risk and pushing into pioneer areas, the IDFC can unleash innovation. Given its mandate, the IDFC needs to be concerned not just with financial return, but also social and development impact, which should inspire greater risk taking.

An interesting cultural note is the inherent constraint on risk taking in government—in business, risk taking is rewarded; in government, the incentive is reversed—failure is punished, not rewarded. How to overcome the bias against risk taking presents a challenge to the IFDC; overcoming it will require incentives focused on achieving social impact.

Two initiatives could address the risk factor—measurement and off-balance sheet financing. Given that the IDFC's primary mission is to advance development, it needs the means to determine whether it is achieving that mandate. This requires equipping the corporation to measure and evaluate impact, including gauging risk. Traditional USAID grant assistance has long been subject to an accountability for results process, with sophisticated metrics and impact evaluation. USAID has considerable lessons to share with IDFC in this regard. When it comes to measuring finance that is at commercial or near commercial rates, the corporate community provides several informative models. One collective effort to measure impact is the World Benchmarking Alliance. A second, the TPG Rise Fund, has identified 30 key outcome areas, aligned with the SDGs, in which impact is both measureable and achievable.

Off-balance sheet financing is a mechanism that the IDFC could use that would allow for greater risk taking. It would involve moving funding off the balance sheet of the IDFC, a move undertaken by USAID and DFID when they created the Development Investment Fund (DIF). DIF had a mandate and the flexibility to take greater risk at an earlier stage in the investment cycle.

Key takeaways

- While a new IDFC is an important tool for development, it neither provides nor replaces ODA. It is important to view it as one component of the ecosystem.
- If IFDC succeeds in low income and fragile countries, it would represent a significant breakthrough. On the one hand, one-quarter of all USAID public-private partnerships is in fragile states, which means opportunities exist. On the other, risks abound at the project level as well as in the overall environment due to inadequate rule of law, corruption, policy and regulatory uncertainty, and poor investment climate.
- Off-balance sheet options might be useful to explore for high-risk activities.
- Incentivizing staff to achieve sustainable development results will be a constant challenge for the new organization's leadership.
- The difficulty of forming viable working relationships, such as the USAID/IDFC partnership, is formidable, even when organizational design reflects key joint appointments. One need look no further than to tensions between IBRD/IFC joint activities for a salutary example of how cultural differences in institutions can impede collaboration.
- Technical issues related to measuring poverty and impact, dealing with local currency debt, pipeline development in low-income countries, field presence, and subordinated finance structures need to be addressed.
- Sustainable development impact and respect for market discipline can be a source of natural tension within development finance institutions.

A conversation with
Madeleine K. Albright & **John R. Allen:**

Reflections on U.S. foreign assistance in steering the world from chaos to order

On the 15th anniversary of the Brookings Blum Roundtable, Secretary Albright and General Allen sat down for a candid discussion on the future of global development. Among the topics discussed were the threat of fascism, a changing multilateral architecture, and U.S.-China relations. A few of their thoughts are distilled below.

On governance—the threat of fascism and promise of democracy:

Madeleine Albright: The modern fascist or pro-fascist regimes—Hungary, Turkey, Philippines, Venezuela, Poland—are a result of fissures in the societies that have dissatisfied people.

John Allen: The reason that we are fighting in Syria is because we failed to answer human yearnings at a developmental level in a number of countries and it just got out of hand. And the inherent failure of Arab governance across the region, 100 years after the collapse of the Ottoman Empire, is the proximate result of that.

Madeleine Albright: People inside these countries are looking for ways the outside can help, but you can't impose democracy. That's an oxymoron. One must have the infrastructure not just for ideology, but for the nuts and bolts of democracy.

On U.S. commitment to **multilateralism:**

John Allen: Americans bring two things to every great crisis. They bring convening power and they bring global reach. And global reach is not just military reach. The more important aspect is the reach of our values. The reach of our economy. The reach of our institutions.

Madeleine Albright: When the U.S. is not present, terrible things can happen.

John Allen: Multilateralism is not something that I would shirk. It is the only way, I think, that the United States can express its influence around the world. And we should not shrink from it. In fact, we should rise to it.

On **U.S.-China relations:**

John Allen: I do not see China as the enemy. I see China as a competitor that will help us improve our engagement as well as a potential collaborator with whom we can find common purpose. And we ought to try to find a way to navigate that shallow water.

Madeleine Albright: The People's Congress does not exactly vote on the size of their budget. And so the government is able to get into places and spend money in ways that we cannot.

John Allen: In many respects, we are just off the field now. We are not playing. We are not competing. And who would blame the Chinese for stepping into that vacuum? And if we are not competing the way we can, we are going to find ourselves in a situation where the Chinese influence in much of the developing world will eclipse the United States and that of the western community of nations in a very dramatic way.

On new tools and priorities: **looking forward:**

Madeleine Albright: We have not fully absorbed the changes that technology has brought, the possibilities and the dangers of it. And some people are illiterate about it. But I do think that it's important to grasp. It has changed the relationship of people to each other, and it is like the industrial revolution.

John Allen: In my mind, Artificial Intelligence has presented an opportunity, a chance for us to really cooperate, but the problem with AI is that it is a dual-use technology. AI is going to change everything.

Madeleine Albright: I think we have to recognize that while the nation-state exists, it is no longer the sole player.

John Allen: The strategies we must begin to think about have to be generational.

Nancy Lindborg

President, United States Institute of Peace (USIP)

One of the reasons the New Deal for fragile states has struggled, despite having so many essential components, is that it has been a development-only effort; it didn't really engage the security and political elements. And in most of these countries, security is a critical issue.

Michelle Nunn

President and CEO, CARE USA

I think that women are missing from this fragility conversation at multiple levels, everything from the conversation at the international level to how fragility impacts women, how women impact fragility, and how we engage women as change makers.

Neal Keny-Guyer

CEO, Mercy Corps

But what I would like to do is suggest a formula that's easy to remember, the three Gs: grievance, governance, and growth. If we're going to make a difference in fragile states, all three must be addressed—because in almost every fragile state there are deep-seated historical grievances often aggravated by poor leadership today.

Mary Robinson

President, Mary Robinson Foundation—Climate Justice

There is a real danger that because of the impacts of climate and population increase in fragile states the situation will get worse unless we proactively ensure that we're working on it.

Elizabeth Cousens

Deputy Chief Executive Officer, UN Foundation

The core development challenge after conflict comes down to just a few foundational needs, especially—first, the nature of the political settlement in a place that's been in turmoil, which connects directly to questions about the social contract, and second whether that settlement can be secured. If you don't have those two fundamentals in place, everything else is a band-aid.

Fragility

A country is fragile when it has a frayed social compact between the government and society that leaves it unable to withstand the shocks of natural disasters, climate change, population pressures, urbanization, conflict, or the predations of local or international powers. Among other burdens, fragile states experience a high concentration of poverty and inequality, migration and refugees, violent extremism and conflict, corruption, marginalization of women and girls, lack of opportunity, and grievances against powerful, ethnic groups, and government. Grievances are often a principal source of the breakdown of the social compact and a driver of fragility.

Fragility is the development challenge of our era. It stymies poverty reduction; threatens the prosperity, stability, and security not just of neighboring countries but the entire world; and prevents building a better world. In such places, everything that motivates those concerned with development is concentrated—poverty, ill health, poor education, unclean water, gender inequality, criminal networks, corruption, poor governance, and terrorism. Fragility places extraordinary pressures and costs on the international system. Human displacement is exerting enormous pressures on the global community. Fragility is the Achilles Heel of the SDGs.

New Deal for Fragile States

A key issue is how to approach fragility and the possible solutions. The New Deal for Fragile States offers lessons in this respect, and can serve as a model, albeit with shortcomings. Encouragingly, the New Deal involves a compact between a partner country and donors intended to hold all to account for their responsibilities in the bargain. Each compact focuses on local ownership and priorities and deals with political, economic, social, and security constraints to stability and resilience. Unfortunately, New Deal country compacts have not lived up to their billing.

Neither side has implemented its side of the bargain—a chicken-and-egg played out as to which should come first—donors respecting country ownership, or the partner government putting in place responsible policies and institutions. The complexity is overwhelming, and implementation has mistakenly focused on technical development issues and not the overriding political and security context. In fact, the New Deal needs a new deal encompassing high-level political engagement by donors and partner governments that can tackle security, justice, and political issues and fundamental grievances in order to rebuild the social compact. One glaring global and local constraint is that few institutions focus on, or offer solutions related to, justice.

Approaches to fragility

One formula for tackling fragility more holistically centers around three Gs—grievance, governance, and growth.

Technology-driven approaches have the potential to radically shift away from top-down solutions and directly engage citizens. While only half the world's population currently has access to the internet today, that is changing rapidly with satellite, balloon and other technologies. Increasing numbers of citizens are

acquiring government-issued biometric and electronic IDs. Technology will allow direct communication with refugees to determine their needs. When increasing numbers are getting online, fintech makes it possible to reach populations directly, identifying their grievances, giving them a credit score and even cash—all from a distance. In unstable environments that are difficult to reach and operate in, fintech will allow donors to provide cash—possibly the most effective way to increase welfare and build economic growth. If the last mile is extreme poverty in fragile places that are difficult to reach, fintech and cash may offer a solution.

There is an essential role for the private sector in creating economic growth and jobs and in fighting corruption and building a middle class, a key element for resilience. Without economic development, health, education, and welfare gains will erode. What people most care most about is getting food on the table and ensuring the well-being of their families. While international corporations have a role to play, building the capacity of the local private sector is imperative. The focus should be on small and medium size business with local value chains and on early investment to strengthen local business capacity and build out the economic ecosystem.

Role of women

There is a growing recognition that women play an essential, and until recently, underappreciated, role in moving beyond conflict and instability. Inequality between men and women is a source of fragility, yet efforts to rectify that imbalance are too often designed by men, for men. Research reveals a direct correlation between fragile countries and marginalization of women. Individuals and communities steeped in traditions where sexual discrimination is part of the societal fabric are more hostile to minority groups and other nations and are more likely to be involved in political violence that compounds fragility. Experience demonstrates that women play a vital role in successful and sustainable peacebuilding efforts—their involvement produces greater success—and they are a keystone in preventing deepening fragility. As cited in the World Bank's 2012 World Development Report on Gender, as well as in other gender and development literature, women invest 90 percent of their income in the family, compared to 35 percent for men, and their engagement can have a disproportionate impact in fragile contexts. Think about the ingredients of successful development—local, inclusive, networked, integrated, multisector—and you think about women.

A key element of a successful approach to fragility is patience. Donors tend to applaud political settlements, but too often withdraw from a fragile situation before securing a sustainable framework for post conflict recovery. Donors grow frustrated by the slow pace of progress and distracted by new crises, lacking the perseverance that is required.

Funding

Networks offer the means of easing fragility. At the international level, building coalitions among donors and coordinating development approaches with the military and others providing security is essential. At the national and local levels, networks within civil society and between civil society and government are the foundations for mending the social contract.

Although fragility is an urgent development priority, U.S. and global funding for fragile states is on the decline. Development investments are not making the difference needed and are too frequently overturned by reoccurring violent conflict. At the same time, the success rate of development projects in fragile situations is similar to that of projects in more stable environments. The problem is we are not doing enough, and interventions tend to be project-specific, leading to fragmentation and a failure to reach systemic change.

When raising funds for fragility interventions, persuading funders of the importance of prevention presents a major hurdle. Money is available to respond to humanitarian crises, but not to prevent them. Although the return on investment from prevention far exceeds the cost of addressing instability and conflict, proving a counterfactual to prevention is extremely difficult.

Urgency

The conversation started and ended on a note of urgency. The sense was that this is a moment to coalesce around transformative new partnerships, platforms, and ways of organizing to make a difference in dealing with fragility. There was a clarion call to avoid allowing dislike for a regime to lead an overthrow when such an upset could risk propelling a stable country into fragility. The most important priority for a fragile country should be finding a path to stability and peace.

Key takeaways

- Tackling fragility is the development challenge of our time, comparable to climate change (which can in turn exacerbate fragility).
- Stabilizing fragile states and helping them prosper is widely viewed as an urgent development priority, particularly given the growing importance in reducing poverty; given this, the window of opportunity for new approaches towards fragility should be seized.
- We need to do a better job of articulating why the United States should care about and invest more in fragile states.
- A USIP-hosted Hamilton-Kean Task Force on Extremism in Fragile States mandated by the U.S. Senate will be proposing specific recommendations on how to tackle the root causes of extremism in fragile states that could result in a new, bipartisan approach backed by legislation.
- Harmonizing the separate approaches to providing humanitarian assistance between USAID and State could yield efficiency gains.
- Connectivity of people in fragile states is rising exponentially, with major disruptive potential for current operations and engagement.
- Preventing crises entails persuading policymakers of a counterfactual, which makes for a hard sell. One benefit of a fragility fund is that it could serve as an incubator by sharing lessons of experience, whether in terms of innovative approaches to prevention, pilot projects, or instances where pivotal moments in conflict avoidance were well handled.

Hans Peter Lankes

Vice President of Economics and Private Sector Development, International Finance Corporation

At the same time, the acceptance of multilateralism is wearing thin and it's of course legitimate to ask whether the way that the institutions are set up is still consistent with how nations define their (collective) self-interest.

Yukon Huang

Senior Fellow, Carnegie Endowment for International Peace

The key issue for middle-income countries is not actually the financing. Many of them don't need the financing. The key issue for them in the multilateral development banks is access to knowledge, technology transfer, particularly to escape the middle-income trap.

Santiago Levy

Vice President for Sector and Knowledge, Inter-American Development Bank

What Latin America would like to hear is that there is strong American leadership, hopefully also U.S. leadership, that wants a rules-based world order, and that we can collaborate on many issues, not necessarily hand out assistance, but really work together to solve global problems.

J. Bradford DeLong

Professor, Department of Economics, University of California, Berkeley

In the last decade of the 19th century, the U.S. overtook the U.K. in GDP without wanting to really take on a leading global role. The U.K. regularly bit off more than it could chew because it was very bad at servant leadership, and placed very little priority on building a cooperative relationship with the U.S., in contrast to U.K. civil society which did a lot.

Daniella Ballou-Aares

Partner, Dalberg

If you're looking to build a network model with clear alliances around clear goals, there's a couple of things you need. You need real clarity about where to go and you need clarity on the capabilities of the actors. I feel like that often gets completely lost.

Multilateral institutions and international collaboration

Disruption

The multilateral system, which plays a major role in global development, is experiencing disruption. This is in part a natural evolution. A lack of clear support and absence of proactive leadership on the part of the U.S., which conceived of and championed the system as an outgrowth of the Marshall Plan, is complicating the process.

The basis for multilateralism remains strong, as the demand for collective action to respond to global crises and meet global aspirations continues to grow. Development practitioners and internationally minded politicians understand the need for coordinated global responses to health pandemics, global financial instability and forced migration. They also know that the Paris Agreement on climate change and the commitment to reaching the SDGs enshrined in Agenda 2030 could be Earth's salvation.

However, the current system, established after World War II under U.S. leadership, is under strain and showing its age. The historic lines between developed and developing countries are eroding. Commitments such as the SDGs and the Paris Agreement apply universally, yet governance structures have not adequately shifted to reflect the increased weight and influence of non-OECD countries.

The size and limited agility of traditional multilateral institutions such as the World Bank and major U.N. agencies inhibit their effectiveness in a dynamic environment. Shareholder structures and privileges weigh the institutions down and carry political as well as economic costs. Management at these institutions are pursuing reforms to make their organizations fit for today's challenges.

Update the multilaterals

Multilateral design is primed for a 21st century update. The Asian Infrastructure Investment Bank (AIIB), newly established by China, is experimenting with innovations in governance, operations, and efficiency.

The multilateral aid reviews undertaken by donors such as the U.K., Denmark, and Australia, and proposed by the U.S. Congress, can help provide legitimacy and credibility to established multilaterals. Their use of data to provide an objective analysis of the effectiveness of individual organizations strengthens the case for continued investment or needed reforms. However, such reviews fall short in providing insights about the system as a whole.

Many middle-income countries no longer view foreign assistance as the overriding basis for multilateral action. Increasingly, they are seeking transfers of knowledge and technology, as well as a platform for international cooperation based on a partnership among equals.

The private sector and private investors are poised to outstrip international foreign assistance as the consequential financiers of development. This is no surprise, since, in the broadest sense, the large majority of development outcomes trace back to the private sector. Engagement with the private sector is therefore imperative.

Alliances

Multilateralism is evolving, going beyond strict nation-to-nation relations to encompass the many different partners now involved in global development: businesses, investors, philanthropists, universities, faith communities, civil society.

The era of a development landscape dominated by a few powerful hierarchies is receding. Taking its place is a decentralized network of relationships that span sectors, regions, and interests.

Alliances are thus emerging as an important manifestation of new multilateral action. These coalitions are comprised of public and private partners coalescing around specific issues or outcomes. Such alliances offer the opportunity for American leadership outside the U.S. government.

Their narrow focus can be an advantage. It concentrates the attention of their participants on achieving measurable results, maximizing the rate of return on investment, and leveraging their comparative advantages. The success of GAVI, the Vaccine Alliance, and the Global Fund to Fight AIDs, Tuberculosis, and Malaria present compelling examples.

Such alliances are likely to be attractive to well-endowed philanthropists and offer flexible entry points for businesses. As one speaker remarked, "Fragmentation is our friend."

The level of capacity within this broader network of businesses, NGOs, faith communities, investors, and philanthropies calls into question the suitability of large multilateral institutions with comprehensive mandates.

As their hierarchical power becomes less relevant, they might use their legacy and legitimacy to function as hubs of this expanding web, setting the agenda and acting as convener and connector. They can help ensure that partnerships fit together and cover the necessary ground, while ensuring that those involved are not working on pieces of interdependent problems in isolation.

The SDGs are already providing a unifying framework with agreed-upon outcomes. Efforts like the We Mean Business Coalition, comprised of seven different business coalitions committed to tackling climate change, demonstrate the value in creating a hub of hubs.

Yet this fragmentation poses challenges to the norms and standards that have comprised the DNA of the multilateral development system. The predictability and stability of the rules-based order has been critical to global development progress. It has promoted human rights and established development standards.

The multilateral system is struggling to protect and enforce these norms as countries test and push the boundaries of their collective agreements. Even the Paris Agreement on climate change and the SDGs are voluntary agreements without the force of international treaties.

The difficulty of attaining the political weight necessary for authentic accountability and adherence to norms will continue to increase as the landscape of stakeholders expands. It is unlikely that disparate alliances and networks will be able to deliver the rules needed to govern our interconnected world. The limited influence of the Global Partnership for Effective Development Cooperation (GPEDC)—an alliance of developed and developing countries, businesses, and civil society committed to the principles of development effectiveness agreed in Busan—offers a cautionary tale in this regard.

Key takeaways

- Multilateral institutions are reforming to become more "fit-for-purpose" in the 21st century, especially around their governance, approaches to global public goods, partnering with private business, and their role in upper middle-income countries. In many cases, this involves transforming from hierarchical organizations to network hubs or even node connectors. Multilaterals may have to shift from project financing to contributing, along with others, to programmatic financing.
- Given this dynamism, several speakers encouraged the development community to be bolder and more creative in recommending and pushing for changes to the current multilateral system. Participants stressed the importance of identifying sensible entry points for making system-level reviews and recommendations. The report of the G-20s Eminent Persons Group (EPG) on Global Financial Governance, Making the Global Financial System Work for All, was cited as one example.
- The skepticism, and occasional antagonism, of the Trump administration towards multilateral institutions adds to the uncertainty of their future. Other countries and institutions will likely fill the void left by reduced support and investment by the U.S., but this may lead to a "lose-lose" on global standards and could risk raising the cost of capital. As this happens, the traditional norms, values, and standards promoted by the U.S. may hold less sway.
- As the world evolves away from a U.S.-centric toward a multi-polar system, we can expect greater instability. As innovations surface through new entrants such as the AIIB, the balance between cooperation and collaboration within the multilateral system may elicit additional shifts.
- Agreement on the basis for reform is critical—with the premise being to improve, rather than dismantle, the system. Success also depends upon a political coalition to champion system-wide reforms. In the absence of U.S. leadership and given competing demands in Europe, such support and attention are currently in short supply.
- At the same time, citizens in the U.S. and around the world are positively oriented toward multilateral cooperation. There is an opportunity for multilateral institutions to look beyond nation-states as their primary constituents and engage voters to build a narrative of success and support.
- The Multilateral Aid Review Act (S.1928) introduced in the Senate is an opportunity for the U.S. to take stock across the various departments that deal with individual multilateral agencies.

Sundaa Bridgett-Jones

Senior Associate Director, Global Policy & Advocacy, The Rockefeller Foundation

Two sets of actors deserve additional attention in the context of new frontiers of global development leadership: new philanthropists and high net worth individuals; and the private sector.

Liz Schrayer

President and CEO, U.S. Global Leadership Coalition (USGLC)

When I think of U.S. leadership...there's a role for the administration, but there also is this role for Capitol Hill and bipartisan leadership. And outside the beltway is where the U.S. and America really merge. It's when you put resources and redesign together that we are strongest.

Scott Ratzan

Senior Fellow at the Mossavar-Rahmani Center for Business and Government, Harvard Kennedy School of Government

The ideas of putting partnership together from a private sector lens are very, very difficult... and the *sine qua non* is governmental or multi-sectoral legitimacy.

Justin Yifu Lin

Dean, Institute of New Structural Economics, Peking University

China may overtake the U.S. to be the largest economy, but most likely in the coming half-a-century, the U.S. will still be the leader in the world. China should be considered as a welcome partner to contribute more funding for global development, and also its ideas from experiences about how to transform a country from poverty to prosperity.

Heather Lofthouse

Director of Special Projects, Blum Center for Developing Economies, University of California, Berkeley

In terms of our pedagogical and curricular modalities, we are doing well on many things, but our students obviously miss out on these high-level conversations about real development stories. Our students don't get the full sense of what is actually happening with global development debates; we need to bring this kind of discussion to campuses.

The way forward

To advance their 2017 roundtable recommendations, participants agreed to reach out to administration and congressional leaders in the areas listed in the left hand column below. Since then, fears regarding a U.S. retreat from global development did not fully materialize and progress advanced in several areas, as noted in the right hand column.

Areas around which participants agreed to coalesce and inform policymaking	Progress since 2017 BBR
FY2019 budget request	Strong bipartisan support secured a 0.7 percent increase for the total FY2019 International Affairs Budget compared to current levels, despite President Trump's proposed 30 percent cut to the budget.
Aid redesign	USAID, after extensive consultation within the administration and with civil society, released its transformation plan and submitted it to Congress for review. A proposed Department of State redesign stalled after facing bureaucratic hurdles.
Creation of a Development Finance Corporation with enhanced authorities of equity, first loss, guarantee, and technical assistance	The BUILD Act of 2018 passed the House and the Senate and was signed into law on October 5, 2018. Roundtable participants were instrumental in its creation and in supporting its passage.
Strategy and legislation to address violence and fragility	The USIP launched the Bipartisan Task Force on Extremism in Fragile States in April 2018, co-chaired by Governor Tom Kean and Congressman Lee Hamilton, to establish a comprehensive strategy to address the underlying causes of violence and fragility. Several roundtable participants are members of the task force and advisory board. The Global Fragility and Violence Reduction Act passed the House November 27, 2018.
New approaches toward China around cooperation	Secretary of State Mike Pompeo, USAID Administrator Mark Green, and others have framed the U.S. relationship with China as a competition rather than a platform for cooperation. Heightened efforts are needed to inform collaboration-oriented policies.

Looking forward, the U.S. exerts global leadership and influence through two distinct mechanisms: (i) the policies and programs of the U.S. national government, and (ii) the vast array of American citizens, corporations, civil organizations, and local government that operate individually and through alliances. U.S. international leadership is most effective when these two forces work in unison, as has generally been the case since World War II. Looking ahead, the challenge is to maintain this.

Given this, there are a number of areas where roundtable participants felt that U.S. government leadership has weakened, and where further moves to undermine the global development agenda merit push back:

- the withdrawal of the U.S. from multilateral leadership, symbolized by the announced intention to withdraw from the Paris Agreement; the withholding of funding from the Green Climate Fund; the extension of the global gag rule that forbids USAID funding for any non-U.S. organization that offers abortion services; and concerted disregard for the SDGs.
- the danger of politicizing foreign assistance, both in terms of using aid as an incentive for countries to cooperate with the U.S. on other issues (e.g., migration), and in terms of politicizing aid agency personnel policies.

In these instances, American leadership in building new alliances can mitigate some of the impact. Yet businesses can only succeed in these alliances if they have the legitimacy afforded by a governmental or multi-sectoral process. This is one reason why support for the SDGs makes sense. They provide a common reference point for all development actors.

Alliances to solve global issues do not always revolve around money or development finance—they are partnerships for collaboration in solving global problems in which developing countries can potentially participate as equal partners.

Building a platform for advocacy for reform of the multilateral institutions is a priority. It requires an approach that simultaneously defends and reforms multilateralism. To do this, advocates need to connect Americans more with the rest of the world, including by telling stories that illustrate the links between what happens in far-flung places and why it matters at home. For example, explaining the provenance of coffee can demonstrate why Americans should care about the Democratic Republic of the Congo. More broadly, getting clarity on America's goals with respect to foreign assistance and unpacking why overseas aid matters for the U.S. were consistent themes.

One opportunity for collaborating with China is to include them in discussions related to NATO's Project Stability. China is refining its approach to development cooperation and in some cases is leapfrogging to modes of engagement that the U.S. and others can support. Global development that fosters stability and prosperity can be a win-win for all countries; the clear choice between China and the U.S. might be too stark in the development arena—collaboration may be feasible in certain areas and the bilateral relationship is worth nurturing.

If fragility is to be at the heart of the development enterprise, then new approaches with considerably less earmarking will be required. A key issue that evolved is what works—how can assistance be most effective in moving countries from instability to stability, from violence to rule of law? A window of opportunity exists to develop a set of practical recommendations on how to approach fragility.

Lifting the capacities of women and girls around the world in everything we do is indispensable.

Radical transparency, with granular data, is the fuel for effective alliances and networks.

Much can be done to unlock the latent capacity in business, but precise mechanisms are only beginning to be developed—blended finance and impact investing are a start, but intentionality, incentives, and capacity to contribute to the goals are still questions to be addressed.

The roundtable concluded with an acknowledgement that it would be useful to capture the flavor of the discussion for the benefit of students and young leaders.

The following key legislation and government activity should be focal points for roundtable participants:

- BUILD Act—Better Utilization of Investment Leading to Development act of 2018—signed by president October 5, 2018
    - Administration to submit reorganization plan to stand up the new IDFC within 120 days of enactment
- Global Fragility and Violence Reduction Act of 2018—H.R. 5273, S. 3368
- Multilateral Aid Review Act—H.R. 4502, S. 1928
- Women, Peace, and Security Act—S.1141, signed into law
- Africa Growth and Opportunity Act (AGOA) and Millennium Challenge Act (MCA) Modernization Act—HR 3445, S.832—signed in to law
- National Diplomacy and Development Strategy Act—S. 1228
- SAR—Stabilization Assistance Review
- NSS—National Security Strategy
- USAID Transformation—9 Congressional Notifications (CNs) sent to the Congress in three sets (July 27 and August 3 & 30), and currently pending review and approval

Co~Chairs

Richard C. Blum
Founder and Chairman
Blum Capital

Homi Kharas
Interim Vice President and Director
Global Economy and Development
Brookings Institution

Honorary Co~Chair

Mary Robinson
President
Mary Robinson Foundation - Climate Justice

Participants

Madeleine K. Albright
Chair
Albright Stonebridge Group

John R. Allen
President
Brookings Institution

J. Brian Atwood
Senior Fellow in International and Public Affairs
Watson Institute, Brown University

Daniella Ballou-Aares
Partner
Dalberg

Matthias Berninger
Vice President of Public Affairs
Mars, Incorporated

Robert Blair
Associate Director for
National Security Programs
Office of Management and Budget

Sundaa Bridgett-Jones
Senior Associate Director,
Global Policy & Advocacy
The Rockefeller Foundation

Ann Mei Chang
Author
Lean Impact

Peggy Clark
Executive Director
Aspen Global Innovators Group
Aspen Institute

Elizabeth Cousens
Deputy Chief Executive Officer
UN Foundation

J. Bradford DeLong
Professor, Department of Economics
University of California, Berkeley

Susan Fine
Senior Deputy Assistant Administrator
U.S. Agency for International Development

Yukon Huang
Senior Fellow
Carnegie Endowment
for International Peace

George Ingram
Senior Fellow
Brookings Institution

Neal Keny-Guyer
CEO
Mercy Corps

Steven Kull
Director
Program for Public Consultation
School of Public Policy
University of Maryland

Raj Kumar
President and Editor-in-Chief
Devex

Hans Peter Lankes
Vice President of Economics and
Private Sector Development
International Finance Corporation

Santiago Levy
Vice President for Sectors and Knowledge
Inter-American Development Bank

Justin Yifu Lin
Dean, Institute of New Structural Economics
Peking University

Nancy Lindborg
President
United States Institute of Peace

Elizabeth Littlefield
Senior Counselor
Albright Stonebridge Group

Heather Lofthouse
Director of Special Projects
Blum Center for Developing Economies
University of California, Berkeley

John W. McArthur
Senior Fellow
Brookings Institution

Carolyn Miles
President and CEO
Save the Children

Derek Mitchell
President
National Democratic Institute

Rob Mosbacher
Co-Chair
Consensus for Development Reform

Jane Nelson
Director
Corporate Responsibility Initiative
Harvard Kennedy
School of Government

Michelle Nunn
President and CEO
CARE USA

Sam Nunn
Co-Chair
Nuclear Threat Initiative

Anthony F. Pipa
Senior Fellow
Brookings Institution

John Podesta
Founder and Director
Center for American Progress

Daniel Porterfield
President and CEO
Aspen Institute

Scott Ratzan
Senior Fellow
at the Mossavar-Rahmani Center
for Business and Government
Harvard Kennedy
School of Government

Liz Schrayer
President and CEO
U.S. Global Leadership Coalition

Anne-Marie Slaughter
President and CEO
New America

Erica Stone
President
American Himalayan Foundation

Wade Warren
Chief Strategy Officer
for International Development
Deloitte Consulting

Sam Worthington
CEO
InterAction

Alix Peterson Zwane
CEO
Global Innovation Fund

Special guests

Annette Blum
Director
Blum Media International

Jane Wales
Vice President,
Philanthropy and Society
The Aspen Institute

2018 Brookings Blum Roundtable policy briefs

The 2018 Brookings Blum Roundtable Policy Briefs are available at
www.brookings.edu/multi-chapter-report/invigorating-us-leadership-in-global-development/

Homi Kharas
"U.S. global leadership through an SDG lens"

Liz Schrayer
"Foreign assistance in the 'America First' era"

George Ingram and Robert A. Mosbacher, Jr.
"Development finance: Filling today's funding gap"

Nancy Lindborg
"Fragility 2.0: Ideas to action"

Anthony F. Pipa
"Advancing U.S. leadership through multilateral participation"

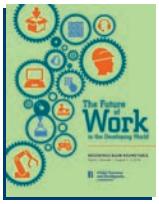
J. Brian Atwood
"American leadership in development cooperation"

For the past 15 years, the Brookings Blum Roundtable has explored various facets of global poverty, with an emphasis on how technology and innovation can be harnessed to tackle some of the world's most pressing development challenges.

To find out more about past roundtable forums—including agendas, participant lists, conference reports and other resources—please visit www.brookings.edu/the-brookings-blum-roundtable

2017

US Foreign Assistance Under Challenge



2016

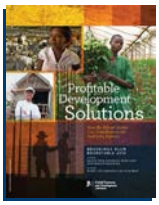
The Future of Work in the Developing World

2015

Disrupting Development with Digital Technologies

2014

Jump-Starting Inclusive Growth in the Most Difficult Environments



2013

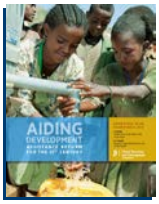
The Private Sector in the New Global Development Agenda

2012

Innovation and Technology for Development

2011

From Aid to Development Cooperation



2010

Development Assistance Reform for the 21st Century

2009

Climate Crisis, Credit Crisis

Overcoming Obstacles to Build a Climate Resilient World

2008

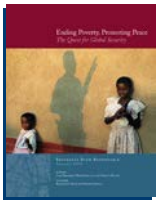
Development in the Balance

How Will the World's Poor Cope with Climate Change?

2007

Development's Changing Face

New Players, Old Challenges, Fresh Opportunities



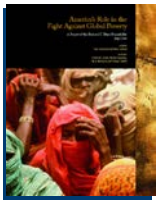
2006

The Tangled Web

The Poverty-Insecurity Nexus

2005

The Private Sector in the Fight Against Global Poverty



2004

America's Role in the Fight Against Global Poverty

B | Global Economy and Development
at BROOKINGS
1775 Massachusetts Avenue, NW
Washington DC 20036
202-797-6000
www.brookings.edu/global
@BrookingsGlobal