

CONSENSUS FOR DEVELOPMENT REFORM POLICY RECOMMENDATIONS

The Consensus for Development Reform (CDR) believes that a strong and effective global development strategy must be an integral part of U.S. foreign policy. CDR also believes that updating and reforming our foreign assistance will better serve our national interests and yield better results for those we seek to help. Unlike old, conventional development models that emphasize aid transfers, with a heavy public sector focus, a new approach to development must enable and facilitate private sector economic growth and opportunity. Our limited foreign assistance resources must focus on encouraging reforms, fostering good governance and entrepreneurship, and leveraging greater private capital investment.

This economic growth and opportunity mission should be the foundation of a development strategy that articulates the development vision of the president, requires robust congressional engagement, and seeks to earn public confidence and support. Such a strategy should bring together all relevant U.S. Government activities around a well-defined set of strategic objectives, informed by rigorous constraints to growth analysis, and with clear delegation of responsibilities for reaching programmatic targets.

CDR has developed four principles to guide a U.S. global development strategy: reward effectiveness; promote economic growth; advance self-sufficiency and democratic governance; and maintain our humanitarian leadership. Each principle is described below and includes recommendations that are common sense, achievable, and consistent with our values and our national interests.

Plan for, Promote, and Reward Effectiveness

Our development strategy must commit to identify and reinforce what works and quit doing what doesn't work, regularly and systematically determining which aid programs are delivering real results and advancing strategic objectives. Scarce development funds should be redirected toward more effective and cost-effective programs, thereby demonstrating at home a judicious use of taxpayer resources and demonstrating abroad that our support requires a dedication to effectiveness and results.

a) Establish a Unified Strategy with Clear Targets and Responsibilities: A single, unified development strategy provides a clear focus for the government's work, as well as a clear indication to the public and to partners what we seek to accomplish. Carefully developed, ambitious programmatic targets, along with a clear definition of progress and success, should be the basis of our unified strategy, allowing us to judge program effectiveness and whether we are quantifiably making progress toward our goals. Likewise, clear lines of authority and responsibility for meeting those objectives and targets provide agencies both the means and incentive to perform well.

CDR recommends that the administration, in consultation with congress, develop a unified development strategy, defining objectives, targets, and responsibility and accountability structures throughout our development programs, at all levels.

CDR recommends that our development assistance require the measurement of performance and results in all programs, seeking to measure concrete outcomes, not just inputs, outputs, or processes. CDR recognizes that certain programs and activities better lend themselves to measurement, and that qualitative evaluation is essential as well.

CDR recommends that any changes to the development agency architecture in pursuit of a unified strategy be dictated only by the requirements of the mission.

CDR recommends that the U.S. Government provide as much access for the public to evaluation methods and data as possible. CDR believes that such transparency regarding performance of aid programs is essential for building public and congressional support for a robust development agenda.

b) Undertake a Top to Bottom Review: The U.S. Government must undertake a regular, systematic review of our foreign assistance programs to determine two fundamental questions: whether our programs address strategic priorities (both individually and in the aggregate); and whether our programs are performing and contributing toward meeting our objectives. Additionally, in recent years, our foreign assistance portfolio has become increasingly implemented by agencies other than USAID, which presents a more complex program evaluation challenge.

Both the entire (interagency) portfolio of U.S. foreign assistance, as well as USAID's portfolio, should be evaluated—top to bottom—for effectiveness and for programs' contribution towards strategic objectives.

Such a review process should be conducted on a regular basis. Only through regular evaluation can we direct funding to more effective programs and more productive avenues for development, maximizing the impact of our assistance and providing the greatest value for the taxpayer.

c) Incentivize Program Performance and Reward Innovation: Performance-based financing in development ties program funding to real-world outcomes. While such an alignment of incentives helps improve performance and foster innovation, they are rarely used in development assistance programs. One significant exception is the Millennium Challenge Corporation (MCC). Conceived as a new approach to development, MCC's work is based on country compacts that establish a clear set of commitments by the United States and performance targets for partners, aligning incentives and outcomes with funding.

MCC's innovations and development principles should be supported through both the continued expansion of MCC's compact pipeline and through the application of MCC's innovations and principles more broadly across other U.S. Government development programs.

MCC's effectiveness and ability to foster innovation can be enhanced through new legal authority to pursue multi-country, regional compacts that take advantage of existing economic integration trends and drive reform more broadly. CDR supports these enhancements.

The United States' development strategy should more deliberately seek areas where performance incentives can be applied in our assistance. Tools include Results-Based Aid (RBA), Cash-on-Delivery Aid (COD Aid), Development Impact Bonds, and other incentive-based models that focus on rewarding outcomes rather than paying for inputs.

d) Re-Establish Regular Foreign Assistance Authorization: Unfortunately, in recent decades the annual congressional authorization process for our international affairs agencies has broken down. As a result, reforms are advanced only on an exceptional basis. By contrast, an annual or biannual authorization process would provide a clear, predictable avenue for reforms, as well as an ongoing process for oversight and constructive consultation between the administration and congress. Such a process provides greater transparency and accountability to the public, a timely response to policy requirements or opportunities, and a requirement for greater congressional participation in and understanding of the issues.

CDR recommends that Senate and House leadership designate time on the legislative calendar for consideration of an annual or biannual authorization bill, empowering (and requiring) the oversight committees to move authorization legislation forward.

Promote Opportunity and Growth

Private sector-led economic growth is the only sustainable solution to global poverty, and our foreign policy must place it at the center of our global development strategy. America's entrepreneurial tradition, dynamic capital markets, and robust public and private institutions offer an unrivaled ability to drive growth, with real benefits both at home and abroad. To do so, we must reform our foreign assistance approach to more directly promote growth, expand economic opportunity, and reduce barriers to trade and investment.

a) Establish a Clear Economic Growth Mission: While many government departments and agencies may be involved in some way in the promotion of economic growth, the effort is not sufficiently coordinated and lacks a government-wide, unified purpose and mission. Likewise, effective implementation of this mission requires that the U.S. Government have personnel at all levels – both in Washington and especially in the field – who understand the nature of the challenge, what tools are available to them, and how to use those tools to help foster growth and opportunity.

CDR recommends that, as the basis of a unified development strategy, the president and congress establish the promotion of entrepreneurial, private sector led economic growth as the United States' primary means to defeat global poverty, mandating a global development strategy that aligns the various departments and agencies around this purpose.

Our unified development strategy should be built around a thorough constraints-to-growth analysis, allowing for clear prioritization of the most significant barriers to economic development, and pursued through a strategy that is able to tap all available U.S. Government capabilities.

CDR recommends that the U.S. Government provide personnel in Washington and in the field with the necessary understanding of a constraints-to-growth development strategy and access to the best tools to pursue it. Our personnel who are charged to lead implementation of the strategy must also be fully invested in its success, with professional recognition and performance evaluation tied to progress toward objectives.

b) Strengthen Development Finance: With the right policies and programs, investment and entrepreneurial capitalism are the most powerful development tools available, driving economic growth on a scale that is simply unachievable through traditional aid, known as Official Development Assistance (ODA). U.S. Government development finance tools directly support entrepreneurial driven-growth by supporting the entry of private sector investment and the maturation of indigenous commercial sectors. Our development finance tools also have the virtue of costing the taxpayer little to nothing, since they leverage private capital and consistently return money to the U.S. Treasury. A growing recognition that global development goals are unattainable through ODA alone is creating newfound interest and increasing political will for a more substantial development finance effort. CDR endorses a robust U.S. development finance capability based on common sense reforms and the strengthening of existing tools, such as the Overseas Private Investment Corporation (OPIC) and the U.S. Trade and Development Agency, or through the creation of a new framework, such as a U.S. development bank.

Both existing and proposed development finance efforts must first and foremost be for development purposes, complement but not displace private capital, be structured to incentivize reforms, and operate free of extraneous political agendas.

c) Build Trade Capacity: Helping countries strategically build capacity for participation in a rules-based global trade regime is a market-based, high return tool to drive economic growth and development. The Organization for Economic Cooperation and Development (OECD) estimates that for every one percent reduction in cost barriers to trade would result in over \$40 billion in increased income, most of it in developing countries. The bipartisan Global Gateways Act in the U.S. Senate aims to bring together and coordinate scattered U.S. Government efforts. CDR supports this common sense and high return on investment approach to development.

d) Coordinate with the Private Sector: The U.S. government conducts insufficient development-related outreach to the private sector (both domestically and in developing countries) and rarely undertakes consultation to identify constraints to growth in a country or region. The impediments to tapping latent potential in private sector investment often can be addressed with no additional funds, requiring only better coordination within the government and a higher prioritization for cooperation with private interests seeking opportunities in developing economies.

The Economic Growth and Development Act (EGDA) is a bipartisan proposal to establish a strong cooperative and consultative relationship between U.S. Government development efforts and the private sector, reflecting many of CDR's recommendations in this area. CDR supports passage of the EGDA.

Build Self-Sufficiency and Advance Democratic Governance

Our assistance must help build partner country self-sufficiency, fostering institutions that are democratic, accountable, and ultimately replace aid. Such institutions are essential for broad-based economic growth and the establishment of prosperous middle class-based societies. Building domestic capacity hand in hand with responsibility for outcomes – where a government can raise revenues, address citizen priorities, and be held accountable for results – is true country ownership and the only success-based “exit strategy” from foreign aid for donor and recipient alike.

a) Build Democratic Institutions and Civil Society: Democratic institutions and a strong civil society are the foundation on which consensus is built, government is held accountable, and the environment is created for economic growth. Likewise, democratic leaders and capable government managers are a requisite for building and maintaining a lawful environment that fosters entrepreneurial capitalism, investment, and economic growth. Our development strategy must seek to help build civil and public institutions that are the building blocks of the social compact between citizens and government. Despite its central importance to development, our commitment to citizen-centered, citizen-responsive government – governments that respects basic rights of private property ownership and the right to sell goods and services in a market setting – has declined significantly in recent years, undermining our ability to help move countries toward graduation from assistance.

CDR recommends that the United States' development strategy embrace a goal of building true country ownership through democratic institutions and leadership, requiring agencies and programs to develop appropriate institution building objectives, based on clearly defined standards, such as the selection criteria established by the Millennium Challenge Corporation (MCC).

b) Pursue Graduation from Aid and Real Country Ownership: Development assistance's primary objective must be to build country self-sufficiency and end the need for assistance, pursued as part of a shared commitment to building mutually beneficial economic relationships and true country-led development. To that end, Domestic Resource Mobilization (DRM) programs are a potentially powerful tool for fostering accountable governments by funding public services through domestically collected resources – the very basis of the social compact described above. DRM programs also provide the United States with an effective indication of a partner countries' level of commitment to development.

CDR recommends that each country development program be based on a mutually-agreed pathway to graduation: one that is defined by clear objectives and measurable targets, a shared definition of success, and a strategy and timeline that spell out milestones and specific responsibilities for achieving them. CDR recognizes that success and graduation may vary significantly among sectors and among partner countries, and believes a tailored approach is essential.

The fundamental elements of this approach are embodied in the process of an MCC compact, and the [lessons and innovations of MCC](#) should be more broadly applied to the United States' development strategy. Similarly, the President's Emergency Plan for AIDS Relief (PEPFAR), through its Partnership Frameworks, establishes a clear plan for increasing country responsibility with an ultimate goal of full country ownership.

Maintain Our Global Humanitarian Leadership

Our humanitarian commitment to the most vulnerable and threatened has been a cornerstone of the United States' global leadership for more than 70 years, demonstrating to the world that Americans are generous, innovative, and able to mobilize global action. Our humanitarian commitments and leadership – both in emergencies and to address long-term challenges – command broad public support at home and create lasting goodwill abroad.

a) Advance Human Development: The United States is the indispensable leader in the fight against human suffering, disease, hunger and malnutrition, and lack of education. Our leadership has achieved remarkable results, providing critical capacity and resources that have led to an astounding 50+ percent reduction in under-five child mortality rates worldwide since 1990.

CDR supports a robust humanitarian and human development commitment that reflects our unique place among nations and our generous and compassionate tradition. CDR believes that it is incumbent on the U.S. Government to continuously and methodically improve these programs, maximizing both their effectiveness and cost-effectiveness for those we seek to help and the value for the American taxpayer.

Well over a decade since their launch, the President's Emergency Plan for AIDS Relief (PEPFAR) and the President's Malaria Initiative (PMI) are two of the most successful assistance programs ever undertaken by any country. CDR recommends that, in addition to maintaining our leadership, the successes, reforms, and lessons of these models should be applied more broadly to other assistance programs, including beyond the health sector. More about the importance of PEPFAR and PMI and why they are themselves important aid reform efforts can be found [here](#).

b) Provide Humanitarian and Emergency Response: Since the end of the Second World War, the United States' unrivaled global reach and unparalleled generosity together have been the basis of a humanitarian response capability without equivalent. Our humanitarian response programs are both a demonstration of our values and a powerful "soft power" tool that can cross otherwise closed political and historical boundaries during disasters.

CDR recommends that the United States maintain a strong commitment to our robust humanitarian response capabilities and efforts. Providing for this capability must be done in a responsible and transparent way. CDR supports continuing, bipartisan efforts to reform our generous food aid programs, optimizing them for emergency response and an ability to address food security threats long-term, including a strong emphasis on building local capacity.