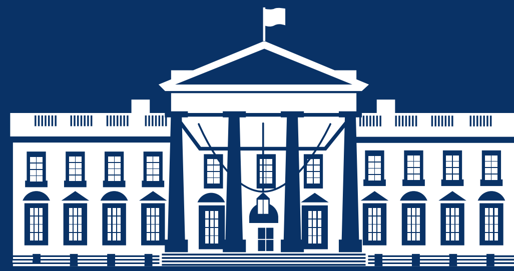
THE WHITE HOUSE AND THE WORLD

Practical Proposals for Resetting US Engagement in Developing Countries

2020 Briefing Book

Center for Global Development



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Scott Morris and Erin Collinson

When President-Elect Biden takes office in January, he will face a daunting set of challenges in the US wrought by the COVID-19 pandemic. His administration's core agenda will necessarily be shaped by the twin imperatives of containing the virus itself and supporting Americans as they weather the economic effects of the crisis. Both tasks will be considerably more difficult if US policy doesn't also pivot toward constructive engagement with the rest of the world. This global pandemic is truly global, illustrated by the ease with which it has moved across national borders as well as the scale of the economic damage that is unfolding irrespective of those same borders.

The Center for Global Development was established nearly 20 years ago in recognition of the need for effective US engagement in the world. It was true then and it has never been more true than it is today: the United States cannot solve all the world's problems any more than America and Americans can hide from those problems. The past four years have marked a rejection of broad-based global engagement, with the offer of false security through border walls and illusory economic gains through trade wars.

One aspect of the international agenda that particularly suffered is US engagement with developing countries. Policies that define the US approach to foreign aid, treatment of refugees, and support for key international institutions like the World Bank and World Health Organization rarely get the attention they deserve, even when US political leadership isn't overtly hostile to them.

That's why we put forward here a selection of policy briefs for the incoming Biden administration, focusing on ways in which the United States can seek to reengage constructively with developing countries—informed by rigorous research and analysis. The stakes for lower income countries and the United States alike couldn't be higher. Even as we remain mired in the pandemic, the damaging effects of climate change are visible each day, as much in California as they are in Cameroon.

These initial policy briefs do not aim to be comprehensive. But they do leverage CGD's expertise on key topics like migration, global health, and development finance, offering a new way of thinking about these issues that is grounded in evidence and practicality. The briefs include actionable recommendations for the incoming administration to:

- Enhance the effectiveness of US global health programs and strengthen global health security by prioritizing investments that build resilience and capacity

- Reset US policy toward China, adopting a more balanced agenda that involves confronting China in areas where there is clear harm to developing countries and cooperating with China on global challenges that require active collaboration, while competing with Chinese lending to offer more sustainable development

- Promote an ambitious G20 agenda to avert a global debt crisis while pressing for deeper systemic reforms to the broader sovereign debt architecture
- Build a more transparent financial system by implementing a series of domestic policy reforms that will makes concealing funds in the United States—and around the world—substantially more difficult
- Bolster the US government's reputation as a global leader on gender equality—and take it to the next level by adopting an intersectional lens
- Complement aid programs in the Northern Triangle by expanding access to existing legal migration pathways for migrants seeking temporary employment in the US, and develop bold new bilateral agreements
- Elevate evidence-based policy and programming at USAID by integrating evidence generation and use in agency programming, prioritizing appropriate forms of evaluation, and undertaking efforts to understand better the cost-effectiveness of US aid investments

As the Biden administration's policies continue to take shape well beyond Inauguration Day, stay tuned for more from CGD on how the new administration can best pursue a policy reset across a complex array of issues that define the relationship between the United States and developing countries.

We are grateful to the many people who helped make this collection of policy briefs possible, starting with the authors themselves. We're also indebted to members of a dedicated review team, including Dave Evans, Amanda Glassman, and Mary Beth Goodman, who offered valuable insight and guidance on earlier drafts. CGD's communications team played an essential role in bringing this publication to fruition. We appreciate contributions from Sarah Allen, Sean Bartlett, Stephanie Donohoe, Eva Taylor Grant, and Emily Schabacker. Finally, a big thanks to Jocilyn Estes for her vital support in coordinating this endeavor.

SCOTT MORRIS is a senior fellow and the director of the US Development Policy Initiative at the Center for Global Development.

ERIN COLLINSON is director of policy outreach at the Center for Global Development.

CONTACT:
Jocilyn Estes,
program coordinator,
jestes@cgdev.org

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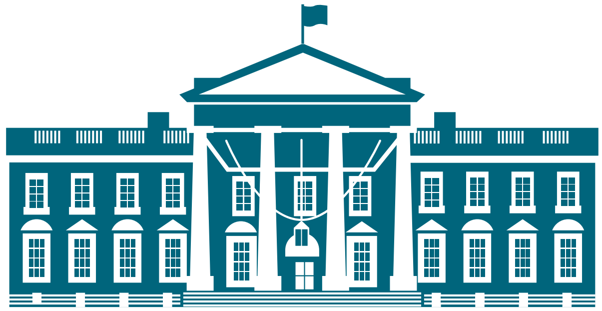


The White House and the World

Rebuilding US Global Health Leadership for Impact and Shared Security

Amanda Glassman, Janeen Madan Keller, Rachel Silverman

COVID-19 has elevated global health to the top of domestic and international agendas. But at home and abroad, the US response has failed to protect lives. Domestically, testing failures, mixed and incorrect public health messaging, inconsistent state-level policies, and erosion of trust in national public health authorities continues to fuel one of the worst epidemics in the world, killing nearly 275,000 Americans. Internationally, the US approach has been under-resourced and incoherent. Meanwhile, the pandemic has led to worldwide reductions in the coverage of essential public health interventions like childhood vaccination and HIV/AIDS treatment,[1] contributing to high numbers of excess deaths, and has magnified the inefficiencies that have long plagued the US global health architecture.

Global health goals must also reckon with the fiscal implications of the COVID-19 pandemic—at home and abroad. Americans have suffered deeply from the health and economic crises. Amid pressing domestic needs, the Biden administration and global health community must be prepared to show that US investments demonstrate results; that US engagement on the international stage remains critical to protecting health at home; and that gains abroad rebound to increase Americans' own safety and welfare. And in many lower-income countries, COVID-19 is primarily an economic and fiscal crisis, and only secondarily a health crisis—so how the US government and the broader global health community handle this reality programmatically will be important for impact.

KEY RECOMMENDATIONS

- Implement quick wins to re-establish US credibility and engagement in global health
- Reverse life-threatening reductions in childhood vaccination and deliver COVID-19 vaccines to all with a G7 and G20 deliverable to launch a new era of preparedness and Protect Our World
- Build an adequately funded global health security architecture that mitigates the impact of future disease and biosecurity threats on human well-being
- Advance a health systems approach to funding and coordination of the trademark US global health programs in HIV/AIDS, malaria, maternal and child health, and family planning
- Address the fiscal and economic fallout from the COVID-19 pandemic

Against this backdrop, the US government remains the world's largest global health donor,[2] and global health accounts for roughly a quarter of the base US international affairs budget.[3] Looking ahead, US efforts must demonstrate commitment to impact with equity, recommit to global cooperation, and encompass more than aid, harnessing opportunities to leverage the entire toolkit of US policy, influence, and institutions.

US CREDIBILITY AS A GLOBAL PARTNER IS AT STAKE

For most of the last four years, the Trump administration treated global health assistance as an afterthought, seeking spending cuts while pursuing a more transactional approach to foreign aid. This culminated in the Trump administration's decision to abruptly withdraw from the World Health Organization (WHO), resulting in a loss of international credibility alongside a missed opportunity to develop a more coherent response to COVID-19 at home and abroad.[4]

The Trump administration also scaled down existing US government infrastructure designed to detect and mitigate infectious disease outbreaks, including by dissolving in 2018 the dedicated Global Health Security and Biodefense unit within the National Security Council and reassigning its directive to officials tasked with a broader nonproliferation and counterterrorism mandate.[5] Domestic antiabortion politics have hamstrung international efforts to expand access to sexual and reproductive health, through the proliferation of spending restrictions combined with attempts by senior administration officials to police the use of related language in multilateral communiques.[6]

The United States' own inadequate and highly politicized response to the ongoing pandemic, both at home and abroad, has undermined its global credibility. Further, while the US has made significant progress toward development of a COVID-19 vaccine through the Trump administration's Operation Warp Speed, it has largely recused itself from global efforts to ensure equitable distribution or diversify the portfolio of vaccine candidates.[7]

COVID-19 IS ERASING DECADES OF GLOBAL HEALTH PROGRESS

The current global crisis is not only about COVID-19 but also its collateral effects, particularly in the poorest countries, where it has disrupted essential services ranging from routine vaccination and HIV/AIDS treatment to dialysis and cancer screenings.[8]

Vaccination, the emblematic public health intervention where the US government has historically been one of the top international donors, is among the most vexing examples. Immunization has brought polio to the brink of eradication and led to a dramatic decline in measles worldwide; UNICEF estimates that measles vaccination prevented 23.2 million deaths in 2000-2018, making it one of the best buys in global health.[9] Still, US-supported vaccination programs faced challenges prior to COVID-19 that have been exacerbated by the current pandemic. For instance, vaccination rates generally were lower than necessary for herd immunity,[10] inequitable distribution remained a persistent issue,[11] and vaccine hesitancy and low uptake[12] had begun to erode demand. In 2019, there were over 850,000 measles cases reported globally, the highest number since 1996.[13] The US government has made significant contributions to combating the scourge of polio for nearly half a century,[14] but low levels of polio immunity and poor vaccination coverage have led to continued outbreaks of vaccine-derived polio virus, posing a threat to eradication.[15] All of these issues have contributed to an increase in preventable child deaths. They also suggest a range of obstacles that could undermine the ability of countries and communities to access an eventual COVID-19 vaccine, particularly where initially limited supply will demand prioritization of vulnerable populations.

As the Biden administration responds to the COVID-19 emergency, it should invest in interventions that will make the biggest difference for health at home and abroad. This means bringing US money and know-how back to the international effort to deliver a COVID-19 vaccine worldwide while building back childhood vaccination levels and reestablishing essential services such as antiretroviral therapies and maternal and child health care.

GLOBAL HEALTH HAS BEEN RELEGATED TO AN AID OR HUMANITARIAN FUNCTION OF US FOREIGN POLICY

Previous administrations endorsed the importance of global health security in rhetoric and adopted some measures to bolster multilateral health cooperation—most notably the Bush administration's 2005 International Health Regulations[16] and the Obama administration's efforts to launch the Global Health Security Agenda[17] and draft a pandemic playbook.[18] Nevertheless, global health security cooperation has largely remained an afterthought in US foreign policy and in those countries most dependent on US development assistance for health. More recently, the Trump administration's abrupt decision to withdraw from the WHO has led the US to cede a key lever of international influence over global health security at a time when it is most crucial.

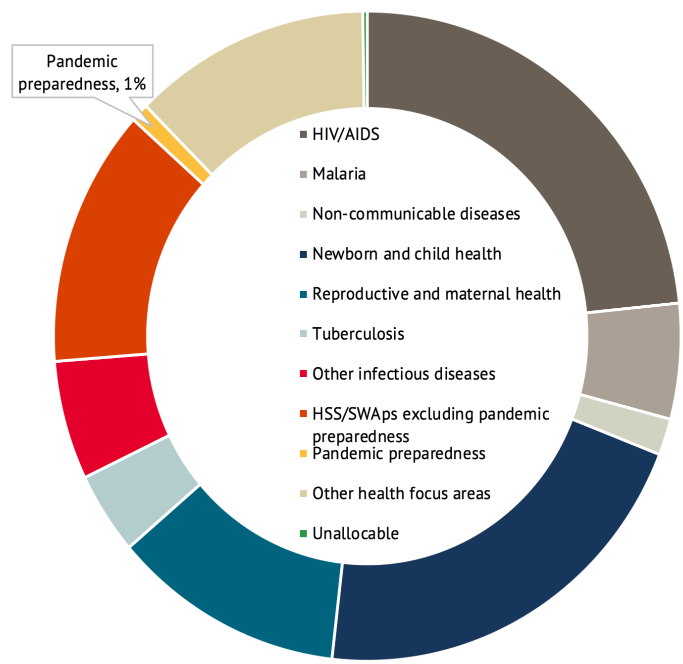
The origin and initial spread of COVID-19 within mainland China, an upper-middle-income country receiving no development assistance for health from the United States, was a reminder that global health cooperation cannot be relegated to an "aid" or "humanitarian" issue. To the contrary, global health cooperation and security must be elevated as a key foreign policy priority, fully integrated into US bilateral and multilateral diplomacy and development policy. This will be particularly important over the next two to three years as the US must navigate the high politics of vaccine approval and distribution; gradual relaxation of travel restrictions; and reform of the WHO and other institutions to prevent future pandemics.

The United States must be better prepared to face the next global health threat with a full arsenal of foreign policy tools to identify and address sources of pandemic risk abroad, including health system weaknesses;[19] lapses in data transparency and accuracy;[20] and preparedness against other threats such as antimicrobial resistance;[21] among other issues.

Preparedness for and response to health crises has been underfunded and inadequate

Beyond general US government under-prioritization of global health security, international spending on pandemic preparedness has been routinely inadequate, accounting for less than 1 percent of development assistance for health in 2019 (figure 1).[22] US efforts to support preparedness in low- and middle-income countries have likewise remained small-scale and fragmented across multiple agencies from USAID and CDC to the Departments of State and Defense.[23] Prior to the pandemic, estimates suggested low- and middle-income countries faced a $4.5 billion financing gap for global health preparedness.[24] The COVID-19 pandemic has strained health systems, raising the prospect of even larger gaps in the years ahead.

FIGURE 1. Development assistance for health by health focus area, 2019



Source: Authors' calculations using data from the Institute for Health Metrics and Evaluation, "Financing Global Health 2019: Tracking Health Spending in a Time of Crisis."

Note: "HSS/SWAps" = Health systems strengthening and sector-wide approaches. "Other health focus areas" = Not identified as allocated to a health focus area listed. "Unallocable" = No information on health focus area. Estimates are preliminary.

Recent crises have revealed fault lines in the US approach to response, recovery, and preparedness for epidemics and pandemics. The 2014-15 West Africa Ebola outbreak illustrated challenges with the US approach to financing and implementing a robust response. While the overall US response was ultimately well-managed, at the outset it was slow to scale, plagued by confusion over roles and responsibilities, and riddled with interagency coordination issues, including between CDC and USAID.[25] The Ebola crisis also underscored the need for longer-term investments in outbreak preparedness in low- and middle-income countries, rather than short-sighted response and recovery efforts when crises arise.[26]

The COVID-19 pandemic has exposed a stark reality: the shortcomings in pandemic response observed during the Ebola crisis were not unique to the developing countries afflicted nor in the slow and disjointed response from the international community. Though some countries, particularly those in East Asia and Taiwan, have mounted admirable control strategies to limit fallout from the COVID-19 pandemic, many wealthy countries with "strong" health systems, including the United States, the United Kingdom, and France, have struggled. Middle-income countries have been among the hardest hit by the pandemic, including our Western Hemisphere neighbors such as Peru, Brazil, Mexico, and Ecuador.

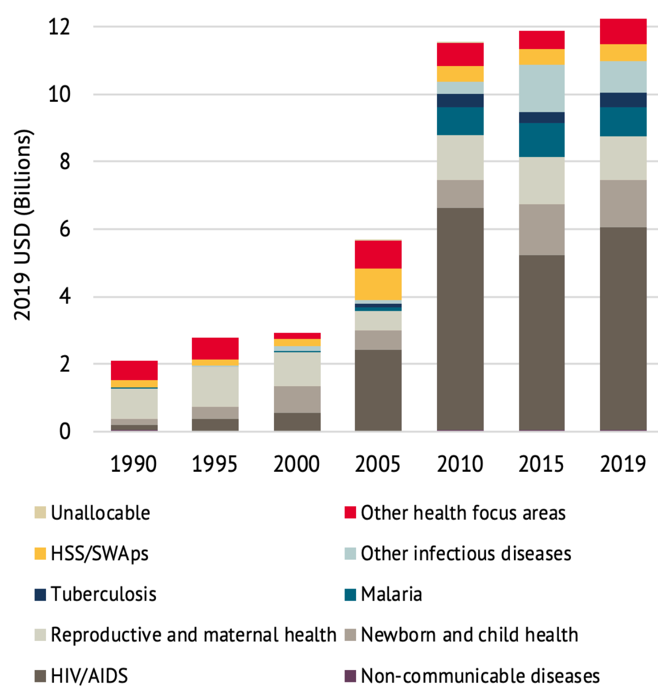
"VERTICAL" GLOBAL HEALTH INVESTMENTS DOMINATE US AID BUT ARE NOT DESIGNED TO STRENGTHEN HEALTH SYSTEM RESILIENCE

US global health investments are primarily appropriated and implemented through a series of "vertical" programs—that is, specific investments intended to address specific health concerns in partner countries. These include the President's Emergency Plan for AIDS Relief (PEPFAR); the President's Malaria Initiative (PMI); the US contribution to the Global Fund to Fight AIDS, TB and Malaria; vaccination through Gavi, the Vaccine Alliance; and family planning/reproductive health. These vertical initiatives have saved lives and helped control specific infectious diseases.[27] But by their very nature, vertical programs focus on one specific health concern (or a limited set)—not on building robust and resilient health systems that can reliably and simultaneously address the entire range of infectious diseases, non-communicable illnesses, injuries, and emerging health threats like COVID-19, while maintaining essential services like prenatal care and routine vaccination even in moments of crisis or stress.

While large programs like PEPFAR continued their operations with the help of enduring congressional support, they nonetheless experienced operational challenges—supply chain contract issues,[28] managerial excesses,[29] and data integrity problems[30] that have threatened PEPFAR's ability to achieve epidemic control and protect the human rights of key populations.

Health systems, in contrast, have seen relative neglect and underinvestment. In 2019, the US provided approximately $500 million for activities intended to strengthen health systems, out of a total of $12 billion in overseas development assistance for health (figure 2).[31] Internationally, the proportion of total development assistance for health used to support health systems has hovered between 15-20 percent since 1990.[32]

FIGURE 2. Trends in US development assistance for health by focus area, 1990-2019



Source: Authors' calculations using data from the Institute for Health Metrics and Evaluation, Financing Global Health Viz Hub.

Note: "HSS/SWAps" = Health systems strengthening and sector-wide approaches. "Other health focus areas" = Not identified as allocated to a health focus area listed. "Unallocable" = No information on health focus area.

The vertical organization of most US health assistance also creates siloes, fragmentation, and redundancies, hindering effectiveness. Even where US global health programs support health systems strengthening, most financing is channeled through the vertical funding streams, too often implying a relatively narrow approach designed, first and foremost, to address a single, specific health concern. Yet core health system functions—including data and surveillance systems, the health workforce, laboratory capacity, and supply chains—cut across disease and program areas. The financing and delivery of support to strengthen health systems should reflect this reality.

Further, the goals for and results of health systems strengthening exercises are often weakly defined, creating an accountability vacuum. A 2019 audit from USAID's Office of the Inspector General found "there is no systematic or reliable way to track what [USAID] missions are obligating and disbursing on [health system strengthening (HSS)] activities" and that "USAID currently has no centralized mechanism for tracking HSS progress at the country level or results of HSS activities across missions."[33] There have been similar findings for US funding channeled through the multilateral disease-specific agencies such as Gavi,[34] and the Global Fund to Fight AIDS, TB and Malaria. [35]

US-supported programs, as well as those run by national governments, benefit from accurate and timely data and evidence. USAID and CDC have demonstrated leadership in this area through support of the invaluable Demographic and Health Survey (DHS) Program, which generates some of the most reliable data on health statistics in low- and middle-income countries, including infant and maternal mortality. Yet the US and international approach to data and evidence generation have grown increasingly siloed and ad hoc. At times, this renders US agencies unable to clearly demonstrate the results of global health investments (e.g., training activities) and can undermine the cultivation of feedback loops with stakeholders that inform better policy and practice.[36] Many global health funders—the US included—have opted to build and maintain parallel data collection and reporting systems in lieu of the long-term investments in civil registration and vital statistics (CRVS) systems needed to produce reliable, real-time data on births and mortality.[37] Without up-to-date data on basic health statistics, global health programs will struggle to identify and implement the most effective approaches.

The US must shift from a siloed approach to one that preserves results and impact in US trademark global health programs, while also contributing to overall health system performance—health impact, pandemic preparedness, financial protection, responsiveness—for the long-term. All this can be achieved without a complete overhaul—conserving what works and leaning into fill gaps in preparedness and effectiveness.

US MULTILATERAL ENGAGEMENT IS FRACTURED, LIMITING POLICY COHERENCE FOR GLOBAL HEALTH GOALS

Global health engagement through multilateral mechanisms offers an opportunity to leverage US funding for broader impact and advance an international agenda towards cross-cutting global health goals. In FY 2019, 19 percent of total US global health investments were allocated through multilateral channels,[38] entitling the US to representation on the respective governing boards. However—and symptomatic of the lack of high-level global health policy coherence and prioritization across the US government—engagement with multilateral health organizations is fragmented with only limited coordination.

A scaled-up and coherent approach to US multilateral engagement will be critical for supporting low- and middle-income countries as they face extraordinary fiscal stress from COVID-19. In the immediate term, governments are experiencing significant economic losses from revenue declines, increasing the pressure on under-resourced health systems.[39]

With some time until an effective vaccine is widely available,[40] the global health community must adjust to the "new normal," finding ways to deliver effective health programs with a much-reduced footprint abroad. US engagement through multilateral channels will be essential to support allies facing the economic fallout and broader health impacts of the pandemic—even as the US itself is on the road to recovery. In the long term, multilateral engagement should be used to support the broader US strategy for global health engagement and security, formulated and coordinated at the highest levels within the US government.

POLICY RECOMMENDATIONS

1. **Implement the quick wins** (see box) to reestablish US credibility, reengage with multilateral global health efforts, and reset partnerships with low- and middle-income countries and the broader global health community.

BOX 1. QUICK WINS TO REESTABLISH US CREDIBILITY AND ENGAGEMENT

- Rejoin the World Health Organization; pay assessed dues; and plan to increase assessed contributions against progress on agreed reforms with emphasis on the organization's governance and mandate, process and authority to set (and enforce) international health regulations.
- Join COVAX, the effort to finance and commit to providing one or more eventual COVID-19 vaccine(s) to affected lower-income countries and vulnerable populations.
- Prioritize key domestic and global health positions within first round of presidential appointments to restore credibility, including roles at the NSC, HHS, CDC, FDA, USAID, and the Office of the Global AIDS Coordinator. Appointees should have impeccable public health and policy credentials alongside a commitment to evidence-based policies and rigorously measured impact.
- Revoke the "Protecting Life in Global Health Assistance" presidential memorandum that has limited women's access to safe reproductive health care and contributed to increased induced abortion;[41] and recommit to supporting sexual and reproductive health and rights through both bilateral and multilateral channels.

2. **Deploy COVID-19 vaccines to all and regain lost ground in childhood vaccination and other essential services to Protect Our World.** The exit strategy for the COVID-19 crisis and the opportunity to make large, low-cost, and measurable health gains in the next four years run through scaled-up vaccination. No one is safe until everyone is safe, and the incoming administration should seize the opportunity to join with world leaders in cooperative efforts to ensure widespread distribution of an eventual COVID-19 vaccine. But US leadership will also be vital to reverse troubling health trends and guard against the next global health threat. A top priority should be to work with allies to restore routine childhood immunization, particularly measles which has rebounded to the highest levels seen since 1996, and polio, where eradication efforts have slowed due to under immunization. The COVID-19 vaccination—once available—also provides a unique opening to administer underutilized adult vaccines that protect against cervical cancer and Hepatitis B, helping to reduce heavy and growing disease burdens. In doing so, the US could prevent millions of deaths while restarting economies and laying the groundwork for pandemic preparedness ahead of future threats.

The Biden administration should propose a G7 or G20 deliverable to launch a new effort to Protect Our World via vaccination as the first step of a renewed agenda for global health preparedness.[42] The US already has the necessary partnerships to make this happen with its G7 bilateral partners as well as Gavi, UNICEF, WHO, GPEI, CEPI, Rotary International, the World Bank and multilateral development banks, and other agencies. The challenge is to increase the funding available and make this set of partners work as one in the service of scaled-up and more equitable vaccination with the aim of reaching herd immunity thresholds for childhood vaccination, maximally distributing a low-income country cost-effective COVID-19 vaccine and other adult vaccines, and eradicating polio. Relative roles should be articulated, and the efforts should focus on financing both supply of vaccine as well as addressing delivery and constraints to uptake on both supply and demand sides.

For the COVID-19 vaccine in particular, the US should use multiple strategies: (i) contributing to COVAX and Gavi to pool purchasing for low-income countries; (ii) sharing excess supply from Operation Warp Speed pre-purchases with the rest of the world; (iii) working with the World Bank to enable a contribution to COVAX on behalf of middle-income countries and to support vaccine delivery via World Bank operations;[43] (iv) working with the Pan American Health Organization to assure that Latin American countries, hardest hit to date by COVID-19, have access; (v) encouraging voluntary licensing and tiered pricing arrangements to enable greater manufacture of COVID-19 vaccines and treatments in low- and middle-income countries; and (v) working with COVAX, CEPI and others to pull the development and manufacturing of second- and third-generation vaccines that might be more cost-effective and/or more easily distributed in low- and middle-income countries.

3. **Build an adequately funded global health security architecture that mitigates the impact of future disease and biosecurity threats on human well-being**. President-Elect Biden has pledged to take COVID-19 seriously—establishing a task force and developing detailed domestic plans to speed testing and enable rapid deployment of treatments and eventual vaccines. But to prevent a similar pandemic or biosecurity catastrophe from reoccurring, the US must increase strategic investments in outbreak and biosecurity preparedness at home and abroad. Building off the Global Health Security Agenda and in collaboration with the WHO, a new US initiative is needed to supersize the CDC's work in disease detection, novel pathogen research, and epidemiological training, and to track outbreaks and drug resistance in humans and animals, around the world, in the public domain, and closer to real-time. Many panels and commissions have proposed different organizational approaches—most have merit, but the key here is to deliver a structure that assures that the US and the world can effectively reduce the probabilities of global spread of a dangerous pathogen as well as prevent new threats like antimicrobial resistance from spiraling out of control.

   A key element of this architecture must be dedicated funding for preparedness in low- and middle-income countries.[44] The Biden administration should propose a dedicated global health security initiative that incorporates a multilateral Global Health Security Challenge Fund that creates incentives for countries to collect and share surveillance data as well as dedicate their own resources to preparedness.[45] In the immediate-term, and while an initiative with broader ambitions is set up and established, the Biden administration should work with Congress to secure resources to support the World Bank's newly established multi-donor Health Emergencies Preparedness and Response Fund,[46] which provides financing to the lowest-income countries to bolster response capacities for COVID-19. US support could help the Fund meet its initial funding target of $500 million (of which it has only raised $130 million to date).

4. **Move towards a health systems approach to funding and cooperation of the trademark US global health programs in HIV/AIDS, malaria, maternal and child health, and family planning.** US global health assistance must do a better job of supporting cross-cutting health systems functions while still demonstrating results and impact for trademark US priorities like HIV/AIDS, malaria, TB, and family planning. This is a broad agenda that could include new investments, but there are two near-term actions to take:

   First, the Office of the US Global AIDS Coordinator (OGAC) via USAID and CDC should designate at least 20 percent of PEPFAR monies to address identified health system weaknesses and bottlenecks, while retaining incentives for progress on HIV/AIDS results, prioritizing government-to-government assistance and aid modalities that enable more flexible use of funds. Much of US assistance is pre-obligated in existing contracts and cooperative agreements that fund US-based organizations to provide technical assistance and sometimes to deliver services like ARV treatment or bed nets to protect against malaria. This approach is appropriate when partner country governments lack capabilities to safely manage funds or to execute activities; however, in many countries where performance has been good and where the epidemic is waning and US assistance should eventually wind down, it is time to transition to new ways of providing US assistance using government payers, ideally while conserving the high-quality not-for-profit and private providers that PEPFAR has funded for decades. For example, in Kenya, where the US funds upwards of 80 percent of the HIV response, it is time to work more directly with government to share financing burdens and build the capacity to contract or finance existing and new providers directly and to hold them accountable. This approach should be tested but holds promise as a better way to both achieve disease-specific results while providing funding in ways that can strengthen cross-cutting health system functions. There are also opportunities to explore more results-based funding in this space, and CGD has identified detailed strategies to test.[47]

US government support for data collection and reporting should also reinforce a systems orientation. US programs should work to consolidate disease-specific data, surveillance, and analytics into a single, modernized platform—one that can support partner countries to produce general and cause-specific mortality data, strengthen the accuracy of routinely reported administrative data, build on the solid foundations of the Demographic and Health Surveys, and move closer to real-time analytics to inform health policy and program implementation. Better data will also help the US to monitor and evaluate the programs that it supports, including those that are financed through multilateral bodies. All data and evaluations funded directly or indirectly by the US government should be in the public domain by default, with appropriate privacy protections as needed.

5. **Support countries to mitigate the fiscal and economic fallout from the COVID-19 pandemic.** Many low- and middle-income countries are experiencing devastating health and economic disruptions from the pandemic; strategic US and multilateral support will be critical to stem losses and restore health, fiscal, and economic stability. In the short term, and in recognition of the extremely constrained fiscal space in many low- and middle-income countries, the US should reassess its posture toward co-financing and transition policies, potentially deferring planned aid transitions in global health to a later date. The US will need to broadly reexamine transition policies and anticipated aid transitions from bilateral programs (e.g., PEPFAR) and multilateral partnerships (e.g., Gavi and the Global Fund). Adjustments should be designed to mitigate declines in available resources and protect hard-won gains in HIV/AIDS, TB, malaria, immunization, and reproductive health.

   In the medium-term, the US must view support to economic recovery in low-income countries as a key element of a global health strategy; we know the collateral health effects associated with COVID-19 are as or more important than COVID-19 itself. As such, the multilateral development banks should double their new commitments to enable countries to cope with the acute fiscal crisis ahead.[48] As part of a broader agenda to help countries navigate the fiscal implications of COVID-19, the US should throw its enthusiastic support behind taxes on tobacco, alcohol, and sugar-sweetened beverages. These strategic measures bolster domestic revenue and can help smooth fiscal contraction while simultaneously reducing the health risks associated with cancer, heart disease, and diabetes.[49] Support for health taxes as part of a broader COVID-19 relief package should be extended as a high priority across US diplomatic outreach and multilateral engagement, including via US participation on the governing boards of international financial institutions such as the World Bank and IMF.

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Thanks to Brin Datema for graphics and help with references.

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AMANDA GLASSMAN is CEO of CGD Europe, and senior fellow and executive vice president at the Center for Global Development.

JANEEN MADAN KELLER is assistant director of global health and senior policy analyst at the Center for Global Development.

RACHEL SILVERMAN is a policy fellow at the Center for Global Development.

CONTACT:
aglassman@cgdev.org

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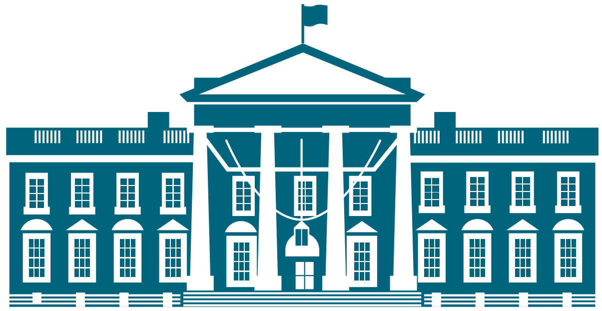


The White House and the World

China’s Role in Developing Countries: Resetting US Policy with a “3 C’s” Agenda

Scott Morris

Dealing with China’s role in developing countries is fraught. The Belt and Road initiative is emblematic of a global approach defined by government-directed financing for large-scale infrastructure projects. Over the past decade, China has pursued this model aggressively, making it the largest creditor to developing countries globally. Today, China’s outstanding claims on developing country governments stand at $350 billion, far exceeding the claims of the United States and all other wealthy country lenders combined, which stand at $200 billion (figure 1).[1]

As much as current US policy has sought to characterize China’s lending program in blunt and strictly negative terms, the reality is mixed. It is a myth that massive Chinese lending has only supported white elephant projects and bridges to nowhere. In reality, evidence suggests that Chinese financed infrastructure projects have had positive economic effects for many developing countries.[2] These successes, measured in miles of railway and kilowatts of energy across Asia, Africa, and Latin America, have posed a challenge for US policymakers as they have sought to convince developing countries that China’s money should be rejected.

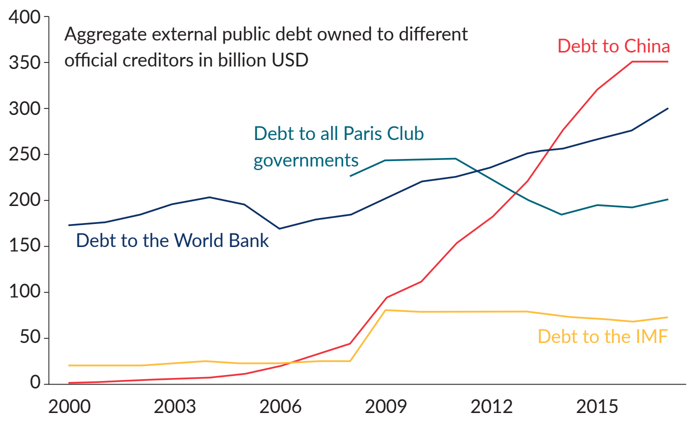
Beyond exaggerated and toothless criticism aimed at convincing governments not to borrow from China, the Trump administration sought to compete directly with the Chinese government by offering financing to support development projects. To date, these efforts, branded through initiatives like the Blue Dot Network and Clear Choice, have been modest in size and lacking in coherence or sustained effort.

KEY RECOMMENDATIONS

- **Confront** China over harmful lending practices through a structured and goal-oriented bilateral policy dialogue, enlisting like-minded countries to provide support in multilateral settings like the World Bank and G20.
- **Cooperate** with China on the two most pressing global challenges, the COVID-19 pandemic and climate change.
- **Compete** with China to offer development finance that puts development first.

There may be a limited role for this form of competition, but it needs to be part of a broader and deeper strategy that does not view developing countries as a Cold War-

FIGURE 1. China is the largest official creditor in developing countries.



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style battlefield. At the same time, adopting a better policy framework is not simply a matter of returning to a pre-2017 approach, which was slow to recognize China's rise as creditor to developing countries and overly patient in seeking reforms to Chinese lending practices.

Since that time, many things have changed. China has changed, becoming more authoritarian domestically and more aggressive on behalf of strategic interests abroad. Developing countries have changed, many now straining under debt burdens that makes China's lending model less attractive, but also desperate for financing to confront the economic crises unfolding in their countries.

And finally, US attitudes toward China have changed irrespective of party. The shift reflects a sense that the economic playing field with China is uneven and too slow to level, and that China's growing authoritarianism and human rights abuses require a tougher line. Democratic and Republican policymakers now view China's global motives with deeper suspicion, including the role of Chinese firms in the United States and other large economies, as well as China's behavior in strategically important developing countries.

These dynamics make it difficult, but just as necessary, to pursue a policy re-set when it comes to China's activities in developing countries. The Biden administration should abandon the current approach in favor of a strategy that confronts China in areas where there is clear harm to developing countries, seeks to cooperate with China on global challenges that unavoidably require active collaboration between the world's two large economies, and competes with China through a committed effort to mobilize development finance in ways that put sustainable development first.

CONFRONT CHINA

A US policy re-set needs to start with confronting China over its harmful lending practices. As much as developing countries derive some benefit from Chinese financing, there are also clear harms related to inadequate debt risk frameworks, tied procurement arrangements, poor project standards, and generally opaque lending arrangements. For all the bellicose rhetoric of the past four years, direct confrontation on these issues has been remarkably absent from US policy. Whatever the motives of the Trump administration's tough talk, it did not emerge from a considered strategy aimed at changing China's behavior. In contrast, the Bush and Obama administrations sought to engage through the US-China bilateral dialogue. Now widely viewed as yielding too little progress in the face of Chinese intransigence, particularly on trade and investment issues, the dialogue made some headway and provided exactly the sort of framework in which frank confrontation was possible, and most likely to get results, when it comes to development policy issues.

In fact, the dialogue late in the Obama administration prioritized development issues, sensing an opportunity for significant progress. Bilateral discussions had already yielded progress on the climate agenda, and in a notable potential step towards reforming its overseas lending policies, China was close to joining the Paris Club of creditors by the close of 2016, before the incoming Trump administration curtailed direct engagement with China on these issues.

In 2021, the Biden administration should initiate a new bilateral dialogue with China, prioritizing comprehensive reform to official lending practices. A global framework to discipline the lending practices of all governments is the end goal, but it will only be achieved if the United States and China can strike a deal with each other. The United States can bolster its position in the bilateral dialogue by enlisting the support of likeminded countries in multilateral settings like the World Bank and G20.

The new bilateral agenda should include:

A framework for procurement standards related to official finance, balancing the objectives of export credit agencies with the interests of developing country borrowers. Development financing that is "tied" to the use of the lending country's firms can be associated with inflated project costs, poor quality, and poor project selection. This defining feature of Chinese lending, perhaps more than any other, can lead to bad outcomes for developing countries. Yet, China's use of tied procurement is only unusual in its scale. Export credit agencies, including the US Export-Import Bank, exist for the same purpose. And a new class of development lenders, akin to the China Development Bank, are further expanding the envelope for financing tied to the use of the lenders' firms for project goods and services. There is a pressing need for procurement standards that discipline all forms of governments' foreign lending and limit the degree to which attractive (and subsidized) lending terms are attached to procurement requirements.

A commitment to transparency and to environmental and social standards for all government lending. There are currently no global standards that apply across all categories of official lending when it comes to the "safeguards" policies of major multilateral lenders like the World Bank. The practices of China's lenders are notoriously opaque, which in turn makes it difficult to assess the degree to which they follow any consistent environmental or social (labor, gender, local community) standards.

A post-Paris Club arrangement for addressing poor country debt distress that retains existing principles while allowing for new conventions and convening arrangements that are attractive to China and other non-Paris Club countries. Bringing China into the Paris Club has proved an elusive goal. China's lending to developing countries accounts for more than all current Paris Club members combined. Without China's membership or a new arrangement that joins China and Paris Club members, developing countries will continue to face a fractured and ad hoc approach to addressing debt distress.

The United States and other club members will need to make some concessions to bring China into a new arrangement: more limited data reporting, more flexibility on comparability of treatment, more restrictive definitions of official credits (allowing for some of China's state-owned banks to be deemed "commercial" lenders rather than official lenders). Any of those would weaken the effectiveness of debt treatment in the near term, with the upside being broader coverage and a stronger basis for future progress with a comprehensive group of official creditors. In this vein, the US policy will only be successful here if it is oriented toward convincing China that this agenda is in its interest, whether reputationally (at a time when there is considerable backlash globally to China's lending practice) or economically (in the sense that better coordination and cooperation will help China better navigate the current crisis unfolding across a large number of its borrower countries).

With China at the table, there is the basis for a bigger agenda that seeks to articulate "rules of the road" for governments and government-owned entities who lend to developing countries. A new sustainable lending agenda should seek to avoid debt distress situations through better lending practices that are responsive to debt risks, transparent when it comes to contract terms, and generally facilitate rather than impede inter-creditor coordination and cooperation with the International Monetary Fund (IMF) and other multilateral institutions.

COOPERATE WITH CHINA

US policy needs to return to seeking cooperation with China on global challenges. The COVID-19 pandemic should have spurred this approach, recognizing that the United States will remain vulnerable to the virus until it is brought under control globally. Instead, we have seen a uniformly combative US stance toward China throughout the crisis, which has left all countries worse off and threatens further disastrous consequences when it comes to containing the pandemic in the months ahead, particularly in developing countries. China should have been more transparent about the virus from the outset, but now its spread represents a global challenge–one which the United States and China are uniquely positioned to bring resources to bear in addressing. Both countries would be well served by developing commitments to avoid beggar-thy-neighbor approaches that would detract from securing and allocating supplies globally.

The same cooperative imperative applies to addressing climate change. Nothing we do in the United States will effectively mitigate climate change within our borders if other countries, and China in particular, are not also taking effective measures.

In short, the world's largest two economies must find a way to work together to address problems that are not contained within national borders and depend critically on their coordinated action.

The cooperative agenda should include:

Pandemic biosecurity preparedness and response. While the emergence and spread of COVID-19 has worsened the US-China relationship, the reality of a global pandemic provides a compelling motive for cooperation on an agenda for pandemic biosecurity preparedness and response. Both countries are engaged in a race against the clock, investing large sums in vaccine research and favoring their own domestic manufacturers in the process. Beyond vaccine approvals, scaling up production to support widespread distribution of a safe and efficacious vaccine globally will present a host of logistical challenges. With major stakes in supply chains for active pharmaceutical ingredients, adjuvants, and even glass vials, China's cooperation will be critical to reaching the needed scale—including making a vaccine available to populations in lower income countries.

The US and China also have an important opportunity to commit upfront to transparency, data-sharing, and standard reporting requirements that will give confidence to the safety and efficacy of any newly released vaccine and set the stage for sustained cooperation across a wider array of medicines that are critical for health progress in developing countries. Cooperation between each country's regulators will be key to this agenda.

Moving forward, both countries should look for opportunities to bolster their commitment to the Global Health Security Agenda with an eye toward identifying mechanisms to incentivize investments by lower income countries in their own preparedness. This should include working through the Health Emergency Preparedness and Response Multi-Donor Fund at the World Bank.[3]

Climate change mitigation and adaptation. The Trump administration's withdrawal from the multilateral Paris Agreement overshadowed the collapse of a US-China policy dialogue on climate action. Yet, this bilateral dialogue was a centerpiece of the Obama administration's approach and proved successful in leveraging the weight of the world's two largest economies and emitters to achieve a multilateral agreement. Restoring a bilateral dialogue should proceed from a US return to the Paris Agreement. In addition to the core elements of a renewed domestic climate agenda in the United States, the two countries should seek to cooperate on a program of support for developing countries as they seek to adapt to climate change realities within their borders.

Multilateralism. Beyond these two pressing challenges, the Biden administration should look to China's robust participation in multilateral institutions like the IMF and World Bank as productive settings for cooperation. The aim is to increase the level of Chinese financial contributions to these institutions, where the money will be spent transparently, and to use the norms and membership obligations of these institutions to exert pressure on China to reform its bilateral lending and aid practices. After years of pressure from the United States and other donor countries, China has been increasing its multilateral aid, now counting among the top 10 donors to the World Bank. But China continues to be a reluctant multilateral donor and the United States should continue to press for higher contributions.[4]

In turn, the United States will also need to adjust its stance toward China's multilateralism, which has grown increasingly obstructive. Actively encouraging China's full participation in the IMF and World Bank also means accommodating China's legitimate desire for adequate voice and voting rights in each institution. Though often exaggerated, frustration over progress in its voting position in the IMF has been cited by China-watchers as a motivation for China's creation of the Asian Infrastructure Investment Bank (AIIB).

The success of the AIIB to date, with over 100 member countries, poses a challenge to the United States and China together—will pressures toward economic decoupling include a decoupling when it comes to multilateral institutions, or can the two countries embrace a common set of institutions? So far, China has chosen to lead the AIIB in a manner that embraces multilateral norms and standards. This approach deserves a more welcoming stance from the United States. Short of US membership in the institution, which would come with considerable legal, political, and budgetary hurdles in the United States, US policy can be more welcoming by encouraging greater cooperation between US-led multilateral institutions (the World Bank, Inter-American Development Bank, etc.) and the AIIB.

COMPETE WITH CHINA

The United States competes with China geo-strategically around fundamental issues of democratic governance, rule of law, and human rights. These issues should continue to anchor the US agenda in developing countries. But current US policy has also sought to define competition in a narrower, commercial sense. The 2019 launch of the US International Development Finance Corporation (DFC) was framed by the Trump administration as a US government-backed effort to compete with China's array of development financing institutions, albeit on a smaller scale.

DFC is well positioned to play this role to a limited degree, but there is also a risk that targeting competition with China could undermine DFC's development effectiveness. Making appropriate use of DFC vis-à-vis China's engagement in developing countries will require embracing new opportunities that would enhance competition with China in ways that benefit these countries and avoiding certain activities that could ultimately cause harm.

Embrace international competitive bidding and open procurement. A striking feature of the statute creating DFC was the elimination of a strict "US nexus" for DFC investments. Unlike Ex-Im Bank, DFC is not obligated to only finance projects in support of US firms and investors. This brings DFC much closer in principle to the open procurement model that prevails at the multilateral development banks and stands in stark contrast to Chinese government lenders like China Development Bank and China Exim, which require the use of Chinese firms in any transactions they finance. Truly embracing an open model at DFC will improve the development prospects of its investments by relying on competitive mechanisms for allocating financing. But underlying political pressures will continue to weigh on DFC to promote US firms as part of its US taxpayer-funded mission. Too much indifference to these pressures could harm the agency over time through budget cuts or more restrictive changes to its governing statute. DFC can best balance these pressures and distinguish itself from Chinese lenders by putting forward projects in the early years that clearly demonstrate the value of an open process in terms of development impact and reputational benefit for the United States, and by promoting DFC financing within the United States to encourage a larger pool of high quality prospects among US firms.

Expand use of sovereign lending under a sound debt risk framework. DFC was conceived as a private sector investor in developing economies, building on the legacy of OPIC. But there is an exaggerated notion of what can be achieved in terms of strictly private sector finance, particularly in relation to China's financing activities. Large scale public infrastructure, which defines China's flagship Belt and Road initiative, typically requires lending to governments and/or the use of sovereign guarantees. The harm of China's model is not that it lends to governments per se.

In turn, it is not necessarily a strength of the US model if it only pursues commercial projects. The US government should be open to making greater use of DFC's sovereign lending instruments, recognizing the need to work with governments when it comes to large infrastructure and to do so in a way that distinguishes the United States from China. DFC can offer a compelling alternative model by implementing a strict framework that commits to guard against over-indebtedness; contract and project transparency to guard against corruption and promote accountability; competitive procurement arrangements to ensure low costs and high quality; and strong project safeguards to guard against environmental and social harms. In short, China's model is not problematic because it lends to governments; it is problematic because it does so in a way that exploits the lack of safeguards and standards in these critical areas.

Define DFC's role within the full US government toolkit, recognizing that not every competitive response to China needs to come from DFC. DFC is the US government's only dedicated source of development finance (loans and equity investments), yet it is just one part of a broader toolkit to support development goals globally. Offering developing countries a better alternative to Chinese finance can also mean the provision of traditional aid through USAID, a multi-sector compact through the Millennium Challenge Corporation, export credits through Ex-Im Bank, or technical assistance through the Treasury Department. The US government has long struggled with effective coordination across an array of agencies and programs on behalf of development objectives, and there is no easy fix. But recognizing the full array of tools in the toolkit will mean broader reach for the US government in responding to China and will avoid setting up DFC to fail.

Co-finance with bilateral and multilateral institutions that apply comparably high standards. With just $22 billion in existing exposures, DFC is too small to match the Chinese government's $350 billion global footprint. But the US government is in a strong position to leverage DFC's capital by partnering with multilateral institutions like the World Bank (with over $300 billion in existing exposures), as well as bilateral development finance institutions in Europe and Japan. Collectively, these sources of development finance, which tend to adhere to a comparable regime of standards, outpace Chinese lending and could serve as an effective check on Chinese activities globally. With scaled up co-financing arrangements governed by a common set of standards, these institutions can deliver projects with higher development impact and exert pressure on China to address the weaknesses in its financing model.

Avoid competing with China based on large subsidies and cutting corners on standards. Financing from the Chinese government is attractive to developing countries because it is typically cheaper than commercial lending and has fewer strings attached (environmental standards, labor standards, transparency requirements) than other official lenders like the World Bank require. Direct competition with Chinese lenders will create pressure to offer deeper subsidies no matter the circumstances of the borrower and to expedite project approvals by giving short shrift to project standards. The pressure comes from the desire to win projects, particularly if there are US firms involved. Though this competitive race to the bottom would seem to benefit developing countries to some degree by offering them the cheapest possible financing, it also risks loading these countries with too much debt and delivering projects that lack basic standards and protections for local populations. In short, the United States should avoid a competition with China that entails adopting the worst features of Chinese finance.

Avoid putting strategic relationships at the forefront of the investment model. Using development finance primarily to compete with China rather than to achieve development gains for poorer countries will create pressure to go where the stakes are highest vis-à-vis China, not necessarily where the potential gains are highest in terms of development progress. Attaching too much importance to strategically important countries could also lead to poor project selection, by making US decisions overly deferential to the political interests of a borrowing country government when it comes to badly conceived projects.

Avoid a focus on large projects in large countries and markets. DFC has a statutory mandate to focus on the poorest countries, with activities in higher income developing countries permitted on an exceptional basis. In practice, this has already proved challenging for an agency that seeks to earn positive rates of return on behalf of US taxpayers.[5] Competing directly with China means focusing on large-scale financing for inherently high-risk projects. Such projects (transport infrastructure and energy) are even riskier in poorer countries. In practice, this will tend to push the DFC into safer markets, which means devoting a large amount of its capital to the relatively wealthier economies. This dynamic threatens to undermine DFC's core development mandate.

POLICY RECOMMENDATIONS

The Biden administration should re-set US policy towards China to prioritize confrontation and cooperation, with a more limited role for competition. A "3 C's" agenda will better discipline China's approach as a creditor, marshal resources from China to meet global challenges, and improve US standing in the developing world.

To this end, the Biden administration should:

Confront China over its harmful lending practices by opening a new bilateral dialogue prioritizing comprehensive reform to official lending practices. The bilateral agenda should include:

- A framework for procurement standards related to official finance, balancing the objectives of export credit agencies with the interests of developing country borrowers
- A commitment to transparency, environmental, and social standards for all government lending

- A post-Paris Club arrangement for addressing poor country debt distress that retains existing principles while allowing for new conventions and convening arrangements that are attractive to China and other non-Paris Club countries

Cooperate with China in seeking to address global challenges. The cooperative agenda should include:

- Pandemic biosecurity preparedness and response
- Climate change mitigation and adaptation
- Multilateralism, with China increasing its engagement in institutions like the IMF and World Bank and the US accommodating China's desire for adequate voice in these institutions

Compete with China to offer development finance that prioritizes development, notably through changes to the way the US Development Finance Corporation operates.

- Embrace international competitive bidding and open procurement
- Expand use of sovereign lending under a sound debt risk framework
- Define DFC's role within the full US government toolkit, recognizing that not every competitive response to China needs to come from DFC
- Co-finance with bilateral and multilateral institutions that apply comparably high standards
- Avoid competing with China based on large subsidies and cutting corners on standards
- Avoid putting strategic relationships at the forefront of the investment model
- Avoid focusing on large projects in large countries and markets

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SCOTT MORRIS is director of the US Development Policy Initiative, co-director of sustainable development finance, and a senior fellow at the Center for Global Development.

CONTACT:
smorris@cgdev.org

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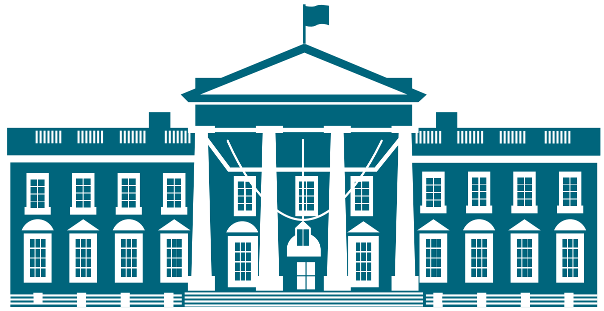


The White House and the World

A Plan to Address the COVID-19 Debt Crises in Poor Countries and Build a Better Sovereign Debt System

Clemence Landers

Amid the COVID-19 pandemic, a growing number of poor countries are confronting an impossible fiscal choice between servicing greatly increased sovereign debt or spending more to protect the health, education, and livelihoods of their citizens. Today, nearly half of the world's poorest countries are at high risk of or experiencing debt distress. Depending on the length of the health crisis and severity of the global economic downturn, many poor countries could find themselves in a full-blown debt crisis over the next few years. While the world has recently grappled with several high-profile restructurings from Greece to Argentina, the international community is now confronted with the prospect of synchronized debt crises across dozens of countries.

Swift and orderly action on international debt is a moral, political, economic, and security imperative for the United States. A series of disorderly and protracted debt crises would be catastrophic for the world's poorest countries. It would add significantly to the damage already wrought by the pandemic, reversing decades of development gains, throwing millions into poverty, and leading to years of lost growth. It would also be costly for the international community and international financial institutions (IFIs), whose shareholders would end up footing a big portion of the bill for collapsing economies. It would amplify political instability, anti-democratic forces, and the risk of conflict in already fragile poor countries, with potential long-run security consequences for the United States.

KEY RECOMMENDATIONS

- **Expand liquidity and fiscal space for poor countries.** The Biden administration should take immediate action to avert defaults in low-income countries through large and immediate provisions of liquidity and measures to help countries manage rollover risk on sovereign bonds.
- **Expand official bilateral debt relief to poor countries.** The administration should work with the international financial institutions, China, and the Paris Club to implement guiding principles for a COVID-19 common framework for debt treatment.
- **Reform the sovereign debt system.** The Treasury Department should lay the groundwork for a series of updates to the international financial sovereign debt restructuring architecture.

The international community's response to the COVID-19 challenges facing low-income countries has fallen far short, reflecting in part a lack of ambition and in part deep divisions between the leading economies. The G20's actions to date have not been commensurate with the financing needs of poor countries; and the failure to launch sizeable liquidity programs for poor countries could exacerbate the breadth and severity of future debt crises. In some instances, the United States has stood in the way of larger, more ambitious measures—such as a large IMF Special Drawing Rights (SDR) allocation, which would bolster countries' foreign exchange reserves at no cost to shareholders.[1] In other cases, it has been unable to reach agreement with China—the largest single creditor to many developing countries—on offering debt relief on its loans on the same terms as other official creditors.

A Biden administration can raise the G20's ambition level to avert a global debt crisis and strive to forge a consensus around a COVID-19 debt framework. The United States can also encourage the international community to take a longer-term view of the crisis and press for deep systemic reforms to the broader architecture for sovereign debt. This will require robust consultation with the Paris Club and China; a coordinated stance toward private creditors; and close cooperation with the leadership of the IFIs, especially the IMF and World Bank.

Immediately, the Biden administration will need to take actions to enhance access to liquidity for low-income countries and lower-middle-income countries to avert a full-blown debt crisis. This could be done through some combination of an IMF SDR allocation and an extension of the Debt Service Suspension Initiative (DSSI). For countries in need of debt relief, the US should seek to implement the G20 agreement on a debt relief common framework whereby all bilateral creditors participate in debt restructurings on comparable terms and in full transparency. In parallel, the US should seek to secure more profound reforms to sovereign debt restructuring system.

DEBT RELIEF FOR POOR COUNTRIES: WHAT'S BROKEN?

Low- and lower-income countries entered the COVID-19 crisis with preexisting serious external vulnerabilities that have only been exacerbated by the global economic downturn. The World Bank projects that their external financing needs stand at around of 9.2 percent of GDP ($179 billion) in 2020 and will hover around 7 percent in 2021, of which 30 percent is driven by bilateral debt due.[2]

BOX 1. DSSI REFRESHER

In April 2020, the World Bank's Development Committee and the G20 Finance Ministers endorsed the Debt Service Suspension Initiative (DSSI) to help the poorest countries manage the impact of the COVID-19 pandemic.

Under the initiative, G20 bilateral creditors agreed to postpone debt payments from the poorest countries (73 countries eligible for IDA assistance and Angola) that request the suspension.

When the initiative ends, currently slated for June 2021, countries will have to repay the deferred principal and interest over four years following a one-year grace period.

Private creditor participation is voluntary and the G20 has encouraged them to participate in the initiative on equal terms.

To prevent a series of disorderly defaults and give countries breathing room to mount a health and economic crisis response, in April 2020 the G20 launched the DSSI, allowing eligible countries to suspend their debt service to G20 countries—and, theoretically, the private sector—through mid-2021 (see box 1). But the initiative faces several limitations. Private creditors, which constitute close to 20 percent of DSSI debt service in 2020, have declined to participate. Several countries that have requested DSSI treatment have been downgraded by the rating agencies, which they paradoxically interpreted as a step towards default. As a result, few DSSI eligible countries—and not a single sub-Saharan African country—have issued international bonds since March, at a time when they badly need financing and global interest rates hover near record lows. Finally, China—the largest single creditor to DSSI countries—has largely exempted its government-owned lenders from the initiative, claiming they are private sector entities.

To date, 46 out of 73 eligible countries have applied for DSSI treatment. As a result, only $5.7 billion is likely to be suspended this year compared to the $11.5 billion anticipated at the outset. These implementation flaws combined with disagreements between G20 countries around the treatment of their loans have blunted the DSSI's effectiveness. But they also expose profound weaknesses in the underlying international architecture for resolving sovereign debt.

If exceptional financing materializes through the IMF and MDB system, alongside the DSSI treatment, many DSSI countries may be able to weather the crisis without the need for debt reduction. But if recovery stalls in 2021 or beyond, several countries could see their debt levels rise to unstainable levels that would require varying levels of debt relief to restore sustainability. Mounting a debt relief initiative where all creditors agree to the same terms is, therefore, critical. In November, the G20 agreed on a Common Framework for Debt Treatments beyond the DSSI, based on Paris Club terms that calls for debt restructuring negotiations if warranted by IMF debt sustainability analyses. But if the DSSI experience is precedent, implementing such an initiative will require more extensive levels of international cooperation, compromise, and goodwill. The G20 will need to agree on a definition of bilateral debt that does not give official creditors leeway to exclude some government entities from participating. And the G20 will need to deploy significantly more pressure on the private sector to join or they risk ignoring the initiative entirely. To date, these issues remain unresolved. The framework does not address which category of Chinese credits will be included and puts the burden on debtor countries to get their private creditors to participate.

The rise in non-Paris Club creditors makes navigating today's looming debt crises more complex. Over the last decade, low-income countries and lower-middle-income countries have diversified their sources of external finance. China has emerged as a top lender, rivaling only the World Bank. And many poor countries enjoy access to bond markets and loans from private creditors. While the Paris Club has historically been the key forum for coordinating debt restructurings, China has eschewed participation, instead preferring to renegotiate its loans bilaterally and often secretly. This approach would not be beneficial for countries in debt distress since piecemeal restructurings often kick larger sustainability issues down the road. For many decades, the Paris Club was able set norms and principles—namely comparability of treatment and transparency—for sovereign restructurings, which it was able to impose by virtue of the size of the creditors it represented. So while the international community was able to find workable solutions to the last round of low-income country debt crises with

BOX 2. WHAT IS THE PARIS CLUB?

The Paris Club is an informal group of representatives from creditor nations whose objective is to find workable solutions to payment problems faced by debtor nations. The Paris Club has 19 permanent members, including most of the western European and Scandinavian nations, the United States, the United Kingdom, and Japan.

In its negotiations with debtor countries, the Paris Club operates in accordance with six principles:

Case by case: The Paris Club makes decisions on a case-by-case basis in order to tailor its action to each debtor country's individual situation.

Comparability of treatment: A debtor country that signs an agreement with the Paris Club agrees to seek comparable terms from all bilateral creditors, including non-Paris Club commercial and official creditors.

Conditionality: Agreements with debtor countries will be based on IMF reform programs that help ensure the sustainability of future debt servicing.

Consensus: Paris Club decisions cannot be taken without a consensus among the participating creditor countries.

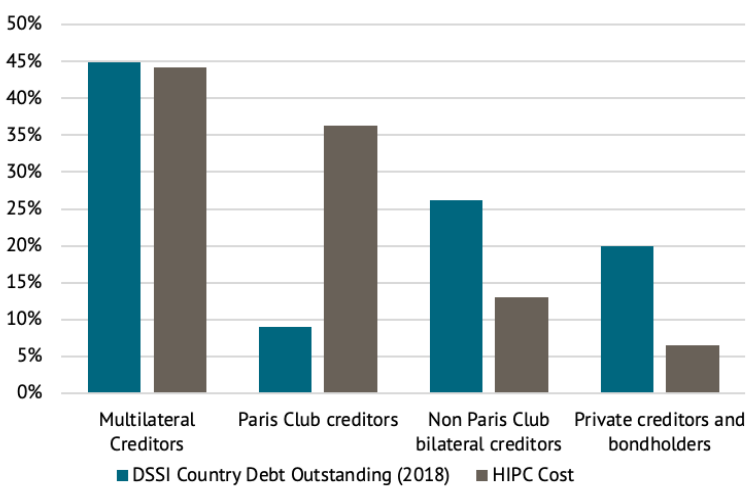
Information sharing: Members will share views and data on their claims on a reciprocal basis.

Solidarity: All members of the Paris Club agree to act as a group in their dealings with a given debtor country.

the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiative (MDRI), the relative homogeneity of the low-income country creditor base made it possible to anchor HIPC in Paris Club principles without having to seek consensus across an unwieldy cast of creditors.

Against this backdrop, the lack of debt transparency—both on the creditor and debtor side—has become a major issue. Much officials bilateral, including China, and private creditor lending has often been opaque, failing to disclose amounts, terms, and conditions. And the rise in state-owned enterprise borrowing combined with poor debt management capacity means that many governments do not systematically track, report, or even entirely know the full gamut of their external liabilities.

FIGURE 1. The changing sovereign debt landscape: Comparing DSSI country debt stock with HIPC costs by creditor category (%)



Source: IMF HIPC Statistical Update 2019, World Bank International Debt Statistics, CGD staff calculations.

Looking beyond the current crisis, deeper reforms to the international sovereign debt architecture are needed. The IMF's proposal in 2003 for a Sovereign Debt Restructuring Mechanism was the closest the international community has come to developing a governance solution for sovereign debt restructurings.[3] The proposal included a plan to establish an international Dispute Resolution Forum with jurisdiction over all disputes between parties. Under the mechanism, a sovereign facing an unsustainable debt burden could request a stay on creditor enforcement that would last throughout the duration of a restructuring agreement. The Sovereign Debt Restructuring Mechanism would allow a majority of creditors—across asset classes—to agree on the terms of a restructuring framework that would be binding.

Ultimately this proposal was jettisoned because key shareholders, especially the US, under pressure from private financial actors, were reluctant to appear to abdicate sovereignty to the IMF. Instead, the IMF and international community opted to pursue a contractual route and launched the Collective Action Clauses (CACs). CACs are legal provisions in bonds, requiring that a majority of bondholders agree to the terms of a restructuring. Where bonds include CACs, they have largely been successful in prohibiting holdouts from blocking a restructuring. And they have made recent sovereign debt restructurings more preemptive, shorter, and achieve higher creditor participation.[4] It is important to note, however, that a substantial portion of poor country sovereign debt is in the form of direct loans from private creditors and that these loan contracts have no such provision to encourage collective action across creditors.

But the contractual approach has its limitations and increasingly countries are seeking to implement legal limits on actions that holdout creditors can take on defaulting countries. In 2010, the UK Parliament passed the Debt Relief (Developing Countries) Act, which imposed a cap on the amount a litigious creditor could recover from claims on a HIPC country debt or the execution of a foreign judgment within the UK.[5] France and Belgium have more recently passed similar legislation.

POLICY RECOMMENDATIONS

The Biden administration should take immediate action to avert defaults in low-income countries through large and immediate provisions of liquidity and measures to help countries manage rollover risk on sovereign bonds. In parallel, the administration should work with the IFIs, China, and the Paris Club to agree on broad principles for an eventual COVID-19 debt relief initiative. At the same time, the Treasury Department should lay the groundwork for a series of updates to the international financial sovereign debt restructuring architecture.

Expanding liquidity and fiscal space for poor countries

As a first step, the US Treasury Department should approve a 500 billion IMF SDR allocation. This can be done immediately and does not require congressional authorization. The Treasury Department should also work with Congress to authorize at least an additional 500 billion SDR allocation depending on global liquidity conditions. Neither of these moves would have a cost for the US taxpayer.

In addition, the Treasury Department should request funding to help cover the cost of IMF debt service relief and a scale-up in funding for poor countries. Treasury should request at least $1 billion in appropriations for the IMF Catastrophe Containment and Relief Trust and Poverty Reduction and Growth Trust.

The Treasury Department should work with G20 counterparts to reach agreement on a collective call for MDBs to double their pre-COVID-19 outstanding exposures to over $1 trillion over the next five years, with a particular focus on poor countries. Meeting this commitment will involve adjusting overly conservative lending policies that undercount MDB callable capital. It will require concerted transparency on MDB commitments and disbursements to make it possible to track implementation of the agreement. It will require early consideration of the capital adequacy of the MDBs with a view toward assessing whether additional capital is needed to extend higher levels of lending over time. For IDA concessional resources and other concessional windows of the MDBs, donors should launch early consultations or supplemental replenishments.

Finally, in coordination with the MDBs, the Treasury should advocate for an MDB green sovereign debt guarantee scheme to help countries maintain market access and set the stage for a green recovery. Under this initiative, one or several MDBs could guarantee sovereign bond issuances to help countries manage rollover risk on existing external private sector debt and maintain market access over the longer term. To ensure that these publicly funded guarantees offer benefits to poor and vulnerable populations, they could be earmarked for green or SDG bond issuances.

COVID-19 official bilateral debt relief

The Treasury Department and the White House should press for a further extension of the DSSI at least through the end of 2021. This will require Treasury and the White House persuading G20 partner countries that a longer suspension is in their interest. An extension could be approved at the first G20 Finance Ministers meeting under the Italian presidency.

The US Treasury and the White House should press for the implementation of the Common Framework for Debt Treatments based on the principles of comparable treatment between creditors, transparency, and full creditor participation. Under this initiative, countries with unsustainable debt burdens would be eligible for reschedulings or write-offs based on an IMF-World Bank Debt Sustainability Analysis that would determine how much debt forgiveness the country needs to achieve sustainability.

For US official credits, depending on the amount of countries that need relief and how much they require, Treasury may need to work with the Office of Management and Budget, other relevant agencies such as Ex-Im, and Congress to appropriate funding for relief. The total debt stock outstanding that countries at high risk of distress owed the United States stood at $433 million in 2018. It is unlikely that all countries at high risk will require relief or that they will need full forgiveness, so the ultimate number would likely be a small fraction of the total.

Build back a better sovereign debt architecture

Treasury should develop and propose "new rules of the road" to guide lending to lower-income countries. With an eye to avoiding future unsustainable debt buildups in poor countries, Treasury should seek to achieve consensus between G20 countries, the IFIs, and private creditors around sustainable and responsible lending practices.

A key aspect of rule-writing should be standards for transparency and disclosure that hold both debtors and creditors accountable, allow accurate debt sustainability assessments, and promote better debt management. Bilateral and private creditors should agree to make public their loans, including details about terms and conditions. In parallel, Treasury should advance a plan with the IFIs, regulators, legal authorities, and private finance representatives to link the enforceability of bond and loan contracts to formal, documented approval by the relevant public authorities of sovereign borrowing, and to public access to such documents.

The Treasury Department and the White House should also take steps to enhance private sector creditor participation in future standstills and restructurings. To do this, the White House, along with the Treasury and the Department of Justice should explore the feasibility of passing legislation to modify US sovereign immunity law so that the private sector creditors cannot initiate litigation against countries whose debt the IMF deems to be unsustainable due to global systemic crises or natural disasters, at least throughout the duration of their restructuring negotiations.

In addition, Treasury should work with G20 counterparts, the IMF, private creditors rating agencies, and regulators, to develop and adopt new bond and loan contract issuance standards that would include a provision to permit temporary suspension of debt service to both private and public creditors without triggering a default in crisis situations. Such provisions could be activated in the event of an IMF determination in the context of a global or regional crisis, unrelated to a country's policies, that debt service to all creditors would demonstrably and materially push a country toward an unsustainable debt situation.

Finally, in cases of country insolvency, Treasury should work with other IMF shareholders to avoid bailouts of private creditors by the IMF and IFIs. Where countries' debt situations are unsustainable based on IMF analysis, it is essential to strike a fair and equitable balance between new taxpayer money and private creditor contributions to debt resolution. Such a balance has not always been struck as the IMF has often come forward with new financing before it is clear how much private creditors will contribute to the return to debt sustainability. Going forward the United States and other IMF shareholders should work out a process of explicitly tying IMF disbursements at appropriate points and of appropriate sizes to a certain threshold of private creditor participation in negotiated restructurings. Private creditors would have to decide if their repayment prospects are made better or worse by accepting a deal supported by IMF financing.

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CLEMENCE LANDERS is a policy fellow at the Center for Global Development.

CONTACT:
clanders@cgdev.org

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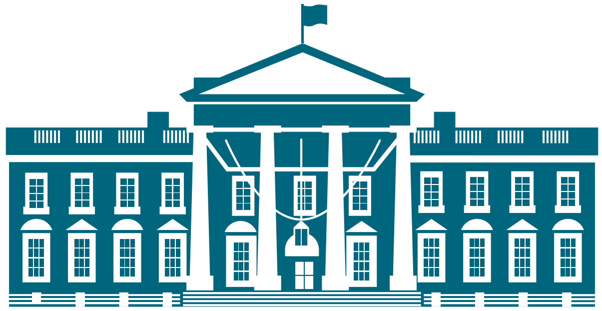

The White House and the World

A Domestic Financial Transparency Agenda for Stronger Development Outcomes

Clemence Landers

The secret flow money has become a major feature of our globalized economy. It is also a major challenge for developing countries. The developing world loses billions of dollars a year to illicit financial flows—money crossing borders that is illegal either in its source, transfer, or use.[1] A recent World Bank paper found that in the world's most aid-dependent countries, aid deposits coincide with increases in bank deposits in offshore financial centers.[2]

Financial secrecy enables activities that are often counter to the public good, from illicit financial flows, to acts of bribery, to often legal but troubling acts of corporate profit shifting. They combine to drain resources from government coffers, undermine economic growth, impede the functioning of institutions, and exacerbate wealth inequality. And they often hurt the poor the most by reducing the availability and quality of basic services, while increasing their cost.[3]

The US financial system—by virtue of its size and low financial transparency standards—has become an Achilles' heel in global efforts to curb the secret flow of international funds. In recent years, the United States has increasingly fallen behind peer countries in setting and implementing high standards around financial transparency, while others, like the United Kingdom and parts of the European Union, have moved forward with ambitious reform agendas. The Center for Global Development's

KEY RECOMMENDATIONS

- Curb the use of anonymous shell companies by working with Congress to pass legislation requiring the systematic disclosure of their beneficial owners.
- Commit to high transparency standards in the oil, gas, and mining sectors by announcing the administration's intention to comply with the Extractive Industries and Transparency Initiative and work with Congress to implement the Cardin Lugar Provision of the Dodd Frank Act.
- Deter multinational corporate profit shifting by passing legislation requiring that companies publicly disclose country-by-country reporting of their global economic activities.

Commitment to Development Index—which assesses the 40 most powerful countries based on how much their policies advance development—ranks the United States 38th out of 40 countries on financial transparency, with failing grades on beneficial ownership and country-by-country reporting and room for improvement in natural resource transparency.[4] The IMF's 2020 US Article IV consultation highlights that ongoing shortcomings in the US regulatory system make it easier for foreign corrupt officials to hide stolen proceeds in the United States, including resources from COVID-19-related spending initiatives.[5]

The Biden administration has a unique window to capitalize on pro-transparency sentiment at home, and the reform momentum abroad, to implement a series of much-needed updates to the US domestic financial transparency apparatus. An ambitious domestic reform agenda would help reassert America's credibility as a leader and standard setter on financial transparency issues. It would also fulfill a major global development and economic policy objective: addressing the global erosion of trust in institutions and markets that has coincided with the rise of corrupt authoritarian regimes. And it is also a way of recommitting to the United Nations Sustainable Development Goals since reducing illicit financial flows is a key objective under Goal 16. Greater transparency and accountability will also directly benefit the United States: it will render the United States less vulnerable to foreign adversaries seeking to exploit weaknesses in the American system to undermine American interests.

The United States is the world's largest financial center, and historically has been a standard setter for global rules and regulations. And US domestic policy choices have outsized influence around the globe. While many reforms would require congressional action, the House and Senate have introduced legislation—in some cases on a bipartisan basis—related to beneficial ownership and disclosure standards for country-by-country reporting for multinational corporations.

The Biden administration should announce a financial transparency agenda that makes concealing funds in the United States—and around the world—substantially more difficult. This agenda could be a key component of its broader international development policy. But any reform effort would need to be phased: the United States cannot credibly advocate for high standards overseas that it does not uphold at home. For this reason, the Biden administration should first seek to move the needle on several domestic big-ticket items.

These include cracking down on anonymously owned shell companies; recommitting to high transparency standards in the extractive sectors; and launching a global corporate tax transparency agenda.

FOR THE US TO LEAD IN INTERNATIONAL FINANCIAL TRANSPARENCY EFFORTS, IT MUST START AT HOME

Transparency is at the heart of any successful anti-corruption effort. It deters and exposes illegal activity, helps citizens hold their governments and private sector to account, fosters greater trust in institutions, and helps markets work.[6] The United States applies financial transparency requirements inconsistently, which exposes it to exploitation. The recent FinCEN (the Financial Crimes Enforcement Network) files report shows how major US and international banks helped suspected terrorists, criminal organizations, and corrupt foreign officials move trillions of dollars around the world. Vulnerabilities in the US system, in turn, weaken the ability of the international community to clamp down on illicit financial flows.

Disclosing the beneficial owners of shell companies

Anonymous shell companies are entities that are repositories for assets. While some shell companies exist for legitimate purposes, they are often used to conceal or launder money. According to the World Bank, roughly 70 percent of the biggest corruption cases between 1980 and 2010 involved anonymous companies.[7]

The United States is a major shell company haven. In several states, the corporate service providers that form these companies are not required to verify the true owners of the assets they hold, much less disclose their identities to the government or the public. A 2016 report by the Financial Action Task Force (FATF)—the global standard-setting body on money laundering—found that the US government's failure to identify the ultimate owner of private companies (known as "beneficial ownership", i.e., the natural person behind a legal entity or arrangement) was a "serious deficiency" and put the United States in noncompliance with FATF recommendations.

Against this backdrop, the global momentum has grown—accelerated by the Panama Papers—to clamp down on anonymous shell companies. According to FATF, the two measures of effectiveness of beneficial ownership transparency are reliability of the information and timely access to it.[8] Some countries have sought to establish central registers that hold information on beneficial ownership. Other jurisdictions put the onus on corporate service providers to verify and report the beneficial owners to the authorities. More recently, there has been a trend towards establishing public registers of beneficial ownership. In 2018, the European Union issued its 5th Anti-Money Laundering Directive (5AMLD) requiring that member countries maintain public registers.[9] Over the past five years, the United Kingdom, Norway, and Ukraine have established public beneficial ownership registers and more recently Ghana, Nigeria, and Mexico announced their intention to follow suit.

In the United States there are also positive signs that the impasse around beneficial ownership could be nearing its end. After a series of failed attempts to pass a bill on anonymous shell companies, in October 2019, the Corporate Transparency Act of 2019 passed the House. The bill would require any person who creates a corporation or a limited liability company to report on an ongoing basis to FinCEN the identities of its beneficial owners.[10] In June 2019, Senators Sheldon Whitehouse (D-RI) and Chuck Grassley (R-IA) introduced The True Incorporation Transparency for Law Enforcement (TITLE) Act to require states to obtain information on the true owners of companies formed within their borders.[11] In addition, in 2018 the US government announced the publication of the Obama-era Customer Due Diligence (CDD) rule, which requires financial institutions to collect and verify beneficial ownership information when a company opens an account.

Transparency in extractive industries

The extractive industries are one of the most corruption prone business sectors, accounting for one in five cases of transnational bribery according to the OECD.[12] The Extractive Industries and Transparency Initiative (EITI) was launched in 2003 to promote higher standards of transparency and accountability in natural resources governance in developing and developed countries alike. Fifty-three countries are currently EITI members and roughly 31 have achieved compliance. Under the initiative, companies of member countries in the oil, gas, and mining sectors are required to disclose what they pay to governments in tax, royalties, and signing bonuses. In turn, governments must disclose what they receive. The figures are subsequently reconciled and published.

The United States committed to implementing the initiative in 2011 under the Obama administration in the face of deep opposition from US oil companies.[13] The United States contributed to the EITI Multi-Donor Trust Fund at the World Bank, began the process of achieving EITI compliance, and served on its board (via the State Department). But in the fall of 2017, the Trump administration announced that it would no longer seek to comply with the initiative, arguing it was incompatible with US law. This came on the heels of a move by Congress in early 2017 to block a new proposed Securities and Exchange Commission (SEC) rule that would require extractive companies listed on a US stock exchange to disclose their payments to the United States and to foreign governments—commonly known as the Cardin-Lugar amendment. The rule would have implemented section 1504 of the Dodd Frank Act.[14] (The SEC subsequently issued a new proposed rule in January 2020 that attracted criticism from anti-corruption watchdog groups for setting an arbitrarily high reporting threshold and requiring reporting on a country basis, rather than on project basis.)

Since 2017, EITI has continued to set progressively higher transparency standards for the sector. Most recently, EITI set a standard that requires countries to ensure that all companies that apply for or hold participating interest in an oil, gas, or mining license disclose their beneficial owners. The standard also requires that politically exposed persons (i.e., public officials) be transparent about their financial interests in the extractive sectors.

Corporate tax transparency

The IMF estimates that non-OECD countries lose somewhere around $200 billion in revenues to multinationals profit shifting.[15] There is also evidence that poor countries are more exposed to cross-border profit shifting than richer countries.[16] As part of the Base Erosion and Profit Shifting Program (BEPS), the G20 and OECD agreed that authorities would share country-by-country reporting (CBCR) of multinational company profits across jurisdictions to identify companies that systematically pay their taxes in jurisdictions where they do not generate profits or do not have substantial activities or employees.

Under the CBCR initiative, companies are required to submit reports to the tax authority in their home jurisdiction, which can be shared with other jurisdictions through mutual exchange of information agreements. The reports contain financial information about each companies' activities around the globe, including their revenues, profits, employment, and taxes across the various geographies where they operate. But the information is confidential and only the relevant tax authorities have access to the data. And many developing countries have had trouble accessing the information because exchanges are governed by a complex system of mutual agreements between jurisdictions.[17]

There is growing momentum to make CBCR information public when the standard comes under OECD review (the 2020 review was cancelled due to COVID-19). The case is compelling. Making these reports public would improve developing countries' ability to access the information. And by giving the global public greater scrutiny, the initiative could also promote greater tax accountability for multinational corporations and pave the way for more sweeping multinational tax reforms. (A key question around making CBCRs useful for developing countries is whether the $850 million in annual revenue reporting threshold is too high and weighing it against the cost of lowering the threshold for smaller multinational companies.)

US lawmakers are already pushing for more ambitious disclosure standards. In March 2020, Senator Chris Van Hollen (D-MD), along with Representatives Cynthia Axne (D-IA) and Lloyd Doggett (D-TX), led a letter signed by 33 senators and representatives to the OECD as part of the since-cancelled BEPS review process urging them to strengthen CBCR rules and to require corporations to publicly disclose their reports.[18] In parallel, Senator Van Hollen and Representative Axne introduced legislation in the Senate and House that would mandate the SEC to require large US multinationals to publicly disclose their financial and tax information on a country-by-country basis.[19]

POLICY RECOMMENDATIONS

To advance a financial transparency agenda that makes concealing funds in the United States and elsewhere substantially more difficult— and to reassert America's credibility as a leader in financial transparency issues— the Biden administration should:

Clamp down on anonymously owned shell companies by requiring that they systematically disclose their beneficial owner to the US Treasury Department or another division within the federal government.

- The Treasury Department should work with Congress to pass and enact legislation (such as the Corporate Transparency Act) that would require that corporate service providers verify the true identities of beneficial owners of shell companies and automatically report the information to FinCEN.

- The Treasury should also instruct financial institutions and corporate services providers to apply enhanced due diligence if a beneficial owner is a politically exposed person.

- The Treasury department should task the OECD with developing a template for a standardized data system and establish a process for reciprocal information exchanges between countries.

Promote greater transparency in the extractive sector by recommitting to EITI and implementing section 1504 of the Dodd Frank Wall Street Reform Act (Cardin Lugar Provision).

- The administration should announce US intention to become an EITI implementing country.

- The White House should work with Congress to strengthen the SEC rule enacting Section 1504 of the Dodd-Frank Act (Cardin Lugar).

- The White House should work with Congress to pass legislation to meet the latest EITI standards, including disclosing the beneficial owners of extractive companies.

- The State Department should request and work with Congress to contribute $10 million to the EITI Multi-Donor Trust Fund at the World Bank.

Deter multinational corporate profit shifting by making country-by-country reporting of large multinational firms' geographic breakdown of financial activities public.

- The Treasury Department should work with Congress to pass legislation requiring that multinationals provide public CBCRs on their global activities. These reports would include revenues, profits, employment, and taxes in each country where they do business.

- Treasury should also use the upcoming OECD BEPS review to press for a common global transparency standard around multinational tax reporting and reassess the current threshold for CBCR reporting.

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CLEMENCE LANDERS is a policy fellow at the Center for Global Development.

CONTACT:
clanders@cgdev.org

WWW.CGDEV.ORG

Center for Global Development

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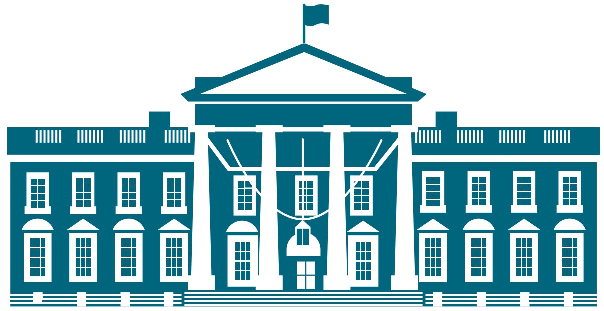


The White House and the World

Restoring and Revitalizing US Leadership on Global Gender Equality and Inclusion

Megan O'Donnell

Increasingly, policymakers worldwide recognize gender equality—and broader inclusion based on race, ethnicity, sexual orientation, disability status, and other demographic characteristics—as a central plank of the global human rights agenda and a crucial development priority. But rhetoric is yet to be matched by the innovation, dedicated resources, and ambitious political leadership needed to drive meaningful progress. As the world's largest bilateral donor, and an influential player in multilateral development fora, the United States has an important role to play in ensuring gender equality and broader inclusion are placed at the center of the global development agenda. This requires an intersectional approach: one that recognizes that all women and girls do not form a monolithic group sharing an identical lived experience, but rather face varying and intersecting forms of discrimination rooted in their location, income level, race, disability or migrant status, and other aspects of their identities.[1]

The Biden administration can restore the US government's reputation as a global leader on gender equality—and take it to the next level through employing an intersectional lens. While the Trump administration emphasized the promotion of women's economic empowerment, its overall approach to international development set the United States back when it comes to advancing global gender equality more broadly, as well as racial and economic equality at home and abroad. This is apparent

KEY RECOMMENDATIONS

- Prioritize gender parity and broader inclusion in political appointments and personnel
- Appoint and empower strong leadership from within the White House and coordinated across relevant agencies
- Commit significant resources and energy to reduce gender gaps and other forms of inequality in low- and middle-income countries through development assistance, including through support to grassroots actors
- Harness a wide range of tools and policies to tackle persistent gaps—from foreign aid to trade, migration, and procurement policies
- Reassert US leadership on global gender equality and inclusion through multilateral fora

in its unprecedented expansion of abortion-related restrictions under the Protecting Life in Global Health Assistance policy,[2] its elimination of funding to the United Nations Population Fund, its announced withdrawal from the World Health Organization,[3] and its promulgation and implementation of highly restrictive migration policies that perpetuate human rights abuses against vulnerable populations, including women and girls.[4]

The COVID-19 pandemic and associated economic recession, as well as racial justice movements across the United States, reinforce the need for a new approach to policymaking, especially where policies have entrenched and exacerbated systemic inequalities. Policymaking that is inclusive in its process and broadly beneficial in its outcomes is needed more than ever to help vulnerable populations weather the current crisis and protect against future ones.

Before COVID-19 hit, women's labor force participation, access to finance, quality employment, pay, and advancement were all unequal to men's. The pandemic and global recession are predicted to exacerbate these gaps.[5] Care work disproportionately falls on women and girls, and stay-at-home orders are likely to increase these burdens, play a role in increasing gender-based violence, and disrupt essential health services.[6] By pursuing an ambitious approach to promoting global and intersectional gender equality, the Biden administration can effectively address the COVID-19 crisis and the setbacks it has caused, as well as restore the United States' credibility as a global leader.

THE US SHOULD INCREASE ITS OWN WORKFORCE DIVERSITY

US government employees working on issues of international development do not yet reflect the backgrounds and perspectives of the US population they are meant to represent. According to a 2020 Government Accountability Office report focused on the US Agency for International Development (USAID), men are still over-represented among senior leaders at the agency.[7] In addition, the proportion of Black women employed by USAID declined between 2002 and 2018, in contrast to the increased hiring of both men and women of other racial backgrounds.[8]

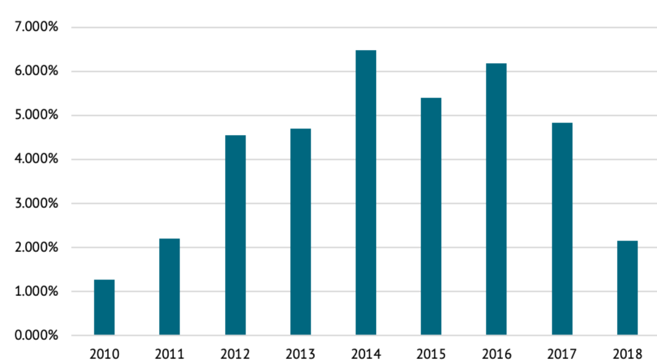
Building on its campaign pledge for gender parity in national security appointments,[9] the Biden administration should set and meet specific targets ensuring that all political appointees, as well as the broader US government workforce, reflect the diversity of the US population in terms of gender, race, ethnicity, disability status, and other demographic characteristics. In setting clear targets and publishing data on progress to achieve them, the US government can improve diversity and inclusion within its own workforce, and in doing so enrich the perspectives brought to development decision-making, as well as broader domestic and foreign policy.

ALL US DEVELOPMENT ASSISTANCE SHOULD ADDRESS RELEVANT FORMS OF INEQUALITY

Applying a gender and inclusion lens to US foreign assistance does not require taking money away from US investments in global health, education, infrastructure, peace and security, or other critical areas of development. Instead, it means ensuring funding dedicated to these purposes is spent more effectively—that it is inclusive in its reach and benefits.

Currently, the United States allocates just 2 percent of its official development assistance (ODA) to projects that principally focus on promoting gender equality and women's empowerment, and 16 percent to projects that significantly (i.e., as a secondary objective, among others) do so.[10] The percentage of aid principally focused on the promotion of gender equality steadily declined under the Trump administration (see figure 1), but the United States has long lagged behind its peers in gender-responsive foreign assistance.

FIGURE 1. Aid principally targeting gender equality, as percent of total ODA



Source: Aid projects targeting gender equality and women's empowerment, OECD CRS.

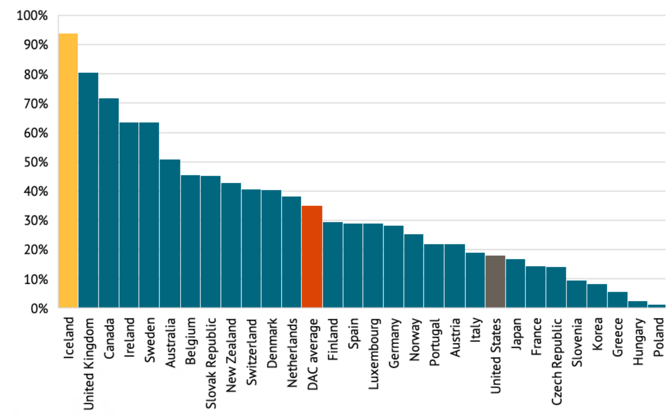
How can the Biden administration improve this trend? Where development projects supported by USAID, the Millennium Challenge Corporation, the US International Development Finance Corporation, and other relevant agencies have already demonstrated equitable benefits—for example, helping to narrow gender gaps and improve outcomes in access to quality healthcare and education, skills training, agricultural inputs, employment and finance, safety and mobility, and other areas—such projects should be looked to as models of best practice to sustain, scale, and replicate. Where projects have been shown to have unequal benefits—for instance, an infrastructure project that overwhelmingly creates jobs for men and only supports men-owned businesses; or an agricultural project that overwhelmingly targets men as farmers—they should be reworked to ensure women and girls are included and benefit.

The same logic should apply regarding the extension of inclusive benefits towards those living with a disability, migrant and refugee populations, and other groups facing discrimination. By grounding all development spending in intersectional gender analysis, development agencies can ensure that the design, implementation, and evaluation of projects and initiatives will contribute to decreasing forms of inequality that hinder progress.[11]

Critical to this exercise is the collection and publication of project results data, including those documented through rigorous impact evaluations. Establishing an ex ante goal of ensuring that US development financing prioritizes gender equality and broader inclusion is a start, but only comprehensive, disaggregated results data can inform decision-making regarding which types of projects, across agencies and sectors, are having the intended impact. An interagency database housing information on all US development assistance—such as the Foreign Aid Explorer or foreignassistance.gov—should reflect this data and serve as a resource to inform decision-making.

Over time, this approach would enable all development assistance to ensure equitable benefits for women, girls, and other groups facing systemic discrimination. As reflected below, the United States has quite a lot of progress to make before even reaching the OECD donor average of aid targeted at promoting gender equality (35 percent), let alone the top performer position (currently held by Iceland, at 94 percent).

FIGURE 2. Total gender-focused aid as a percent of total ODA in 2018



Source: Aid projects targeting gender equality and women's empowerment, OECD CRS.

WHEN ALLOCATING MORE INCLUSIVE ODA, "TO WHOM" MATTERS AS MUCH AS "HOW MUCH"

In the present system, too little money is flowing directly to local actors best versed in communities' specific priorities, needs, and constraints. In 2018, the United States allocated just $4.4 million to local women's organizations in low- and middle-income countries.[12] In contrast, USAID alone allocated about $1.5 billion to a single private sector firm.[13] Whereas overall gender-focused aid stands at 18 percent of total US official development assistance, aid to women's rights organizations is just 0.01 percent of total ODA, or 0.078 percent of gender-targeted ODA.

The Biden administration can lead the way in increasing investments in organizations that are locally rooted and operated by those who know their contexts best, many of whom are currently on the front lines providing critical support services in light of the COVID-19 pandemic and global recession.[14] One challenge (including to past efforts to promote local ownership, such as the Obama administration's USAID Forward reform initiative, and the Trump administration's New Partners Initiative) is current procurement and reporting systems, which are often inaccessible and/or overly burdensome to local civil society organizations, which are much smaller than international firms and NGOs and limited in financial resources. Procurement procedures and reporting requirements should be made proportional to organizations' capacity, and technical assistance to seek bids and report on progress should be provided.

How can this be done? Models are available—including from Canada's Equality Fund, the Netherlands' Leading from the South Fund, and a variety of philanthropic foundations—through which donors can support preexisting women's rights networks and funds (e.g., regional women's development funds, the Global Fund for Women, Mama Cash, Prospera) as intermediaries that can facilitate connections to local organizations and lend assistance in navigating procurement and reporting requirements.[15]

This is one area that will require new funding to ensure success. For reference, the Netherlands' Leading from the South Fund is a $46 million (€40 million) investment, which amounts to 0.8 percent of the Netherlands' overall ODA for 2019.[16] Canada's Equality Fund is a $288 million ($300 million CAD) investment, which amounts to about 5 percent of Canada's overall ODA for 2019.[17] If the US were to just match the Netherlands' 0.8 percent allocation of ODA to local women's organizations, this would mean allocating $270 million to local women's organizations in low- and middle-income countries. If it were to match Canada's, this figure would be $1.7 billion.

"BEYOND AID" APPROACHES CAN PROMOTE GLOBAL GENDER EQUALITY AND INCLUSION

Aid interventions in isolation are limited in their ability to tackle the systemic barriers that individuals in low- and middle-income countries face, and the United States has a range of additional foreign policy tools at its disposal that can contribute to this end.

This holistic approach to promoting gender equality and inclusion in low- and middle-income countries would be unprecedented. Previous administrations have established largely aid-focused initiatives tackling particular aspects of inequality in a piecemeal fashion: for example, the Trump administration launched the Women's Global Development Prosperity Initiative (W-GDP), which uniquely focused on women's economic empowerment. While an emphasis on areas such as providing access to finance for women entrepreneurs was welcome, the administration's decision to cut support for other areas of women's empowerment, including sexual and reproductive health and rights, undermined the initiative's key objectives.[18]

The Obama administration also adopted something of a piecemeal approach, launching Let Girls Learn, for example, which focused attention on girls' education. And while the Obama administration can be credited with looking to advance global gender equality more broadly through its installation of the first Ambassador-at-Large for Global Women's Issues, the White House Council on Women and Girls, and the launch of its Global Strategy to Empower Adolescent Girls, it could have gone farther in prioritizing global gender equality in other areas. For instance, the administration missed an opportunity to integrate gender lens investing in OPIC's portfolio or focus greater attention on promoting gender equality in the context of trade deals. Even in areas where the administration had strong political will, it sometimes lacked sufficient resources to realize its goals (see financing data above). The Biden administration has the opportunity to place intersectional gender equality front and center as a core priority—and do so in a way that harnesses all relevant levers of foreign policy.

For example, as reflected in the Women's Economic Empowerment in Trade Act recently introduced by Senators Bob Casey (D-PA) and Catherine Cortez Masto (D-NV), US trade agreements can be harnessed to narrow global gender gaps, in part through giving trade preferences to countries that afford women and girls equal rights under the law—and thus arguably more equal access to the benefits of such agreements.

Migration is another powerful force for global development, with economic returns to migrants, the families they leave behind, and both destination and source countries. There is also significant evidence of social remittances from migration flows: migrants transmit attitudes from destination to sending countries in a manner that can improve norms and behaviors in areas from democratic accountability to gender equality.[19] By taking into account the greater barriers faced by women migrants (as well migrants coming from particular geographic locations, or racial, ethnic, or religious backgrounds, or education levels) when formulating migration policies, the Biden administration can harness the US migration system to better promote global gender equality and inclusion. For example, recognizing that the vast majority of workers entering the United States on H1-B visas are men,[20] the Biden administration can work to correct the currently gender-biased immigration system, and in doing so ensure that the US economy's needs for migrant workers are met in an inclusive way.[21]

Finally, USAID, MCC, DFC, and other US agencies have the capacity to promote gender equality not only through the projects they implement but also through the firms and employees they hire. The Biden administration can build on existing (but small-scale) preference programs focused on veterans and people of color by ensuring that US agencies promote increased equality in procurement channels. For example, agencies can institute positive incentives for contractors that are women-owned, employ a diverse workforce, and/or promote equitable workplaces, as well as supporting outreach and technical assistance for entrepreneurs from diverse backgrounds to build capacity and increase their access to procurement channels.

LEADERSHIP AND STRUCTURES EMPOWERED TO PRODUCE RESULTS WILL BE REQUIRED

The Biden campaign has already committed to create a new White House Council on Gender Equality, chaired by a senior member of the Executive Office of the President.[22] This new council should take an intersectional approach to its work, considering how gender intersects with other demographic characteristics to compound inequality and discrimination. The council should be given a clear mandate to coordinate across relevant agencies and with Congress, as well as sufficient resources to accomplish this goal. In this way, the Biden administration can ensure that its focus on promoting global gender equality and inclusion moves beyond political signaling to contribute to meaningful progress.

THE US SHOULD IMPROVE ITS MULTILATERAL ENGAGEMENT ON THESE ISSUES

Building on its campaign pledge to push for the ratification of the United Nations Convention on the Elimination of all Forms of Discrimination against Women, the Biden administration has the opportunity to restore the United States' reputation as a strong multilateral collaborator on issues of equality and inclusion. The year 2021 offers a concrete platform for engagement and a reemergence of US leadership on global gender equality in particular: the "Generation Equality Forum," which marks the 25th anniversary of the Fourth World Conference on Women and the resulting Beijing Declaration and Platform for Action. President Biden or Vice President Harris could lead a delegation to the Forum and set the tone through making ambitious commitments in a global arena, encouraging others to follow suit.

A second area for multilateral engagement relates to improving development finance and results data focused on gender equality and broader inclusion. Currently, donor governments including the United States report their data to the OECD Development Assistance Committee, using its gender policy marker to signify that a particular project has a gender focus or component, or to the International Aid Transparency Initiative (IATI) using its gender marker.[23] These systems can be strengthened to ensure that all donors are employing the markers in a consistent manner, as well as through the integration of an intersectional lens—one that provides additional insights into how donor investments address other forms of inequality rooted in location, migrant, or disability status, and so on. The Biden administration can work in partnership with the OECD Gendernet and IATI teams, as well as other donor governments prioritizing the promotion of global gender equality and inclusion, to strengthen reporting systems and promote multilateral accountability on these issues.

POLICY RECOMMENDATIONS

The Biden administration has a unique opportunity to renew US global leadership in tackling systemic inequality. Reclaiming the leadership mantle in this area will require swift and assertive action—and is inseparable from our own domestic recovery and resurgence. Tackling gender inequality and other forms of discrimination holding the United States back at home cannot be separated from our outlook towards and approach to engaging with the rest of the world. A renewed and revitalized commitment to global gender equality and inclusion, reflected in the concrete actions proposed here, offers a way to make that ambitious vision a reality.

To deliver on this critical agenda, the Biden administration should:

- Set and pledge to fulfill gender parity and broader inclusion targets in appointments and personnel across government.
- Establish a White House Council on Gender Equality and Inclusion, with a dedicated budget and director to manage efforts across relevant agencies and engage with Congress.
- Commit that all US foreign assistance spending will integrate considerations of gender equality and inclusion, including through prioritizing support to local women's organizations.
- Conduct a full review of the gender and broader inequality implications of US foreign policy, including trade, migration, and public procurement to identify areas where reform is needed.
- Increase and improve multilateral engagement on these issues, including through harnessing the 2021 Generation Equality Forum as an opportunity to reestablish US leadership on global gender equality and inclusion.

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With thanks to Shelby Bourgault for data calculations and visualizations.

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MEGAN O'DONNELL is the assistant director for the gender program and a senior policy analyst at the Center for Global Development.

CONTACT:
modonnell@cgdev.org

WWW.CGDEV.ORG

Center for Global Development

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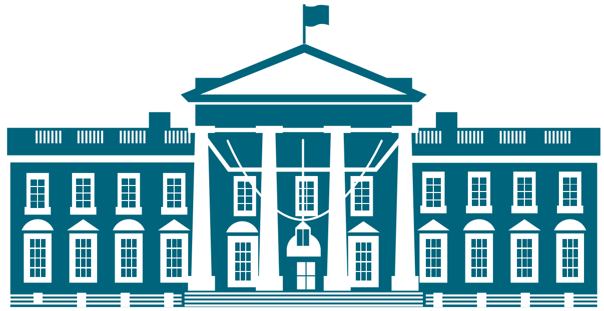


The White House and the World

Harnessing Northern Triangle Migration for Mutual Benefit

Michael Clemens, Reva Resstack, and Cassandra Zimmer

In the past decade, migration to the United States from Central America's Northern Triangle (El Salvador, Guatemala, and Honduras) has increased substantially. The number of people living in the United States (US) who were born in the region increased by 78 percent from 2010 to 2019.[1] In recent years, families and unaccompanied children seeking asylum have made up a progressively larger share of the individuals seeking entrance at the southern border.[2] Poverty and extreme violence—significant drivers of migration from the region—have been exacerbated by COVID-19. As a result, the US should expect an increase in migration from the region in the near future, if one has not already begun.[3]

2019 saw the highest level of apprehensions at the southern border in 12 years, and people from the Northern Triangle accounted for over 80 percent of those apprehended.[4] The Trump administration responded with the Migrant Protection Protocols, also known as "Remain in Mexico," allowing the Department of Homeland Security to return non-Mexican asylum seekers attempting to cross the US southern border to Mexico to await their hearing.[5]

With limited access to legal migration pathways, some Northern Triangle migrants enter the US through irregular channels and find work in the black market. This

KEY RECOMMENDATIONS

Promote mutually beneficial Northern Triangle migration through two phases of action.

In the **short term**, improve access to H-2 visa programs under current law by connecting US employers to employees in the region. To do so:

- Establish a Bilateral Labor Markets Special Coordinator's Office
- Negotiate mutually beneficial bilateral labor agreements
- Develop an outreach strategy for legal migration pathways

In the **long term**, introduce new bilateral agreements based on the Global Skill Partnership model to facilitate economic recovery post COVID-19.

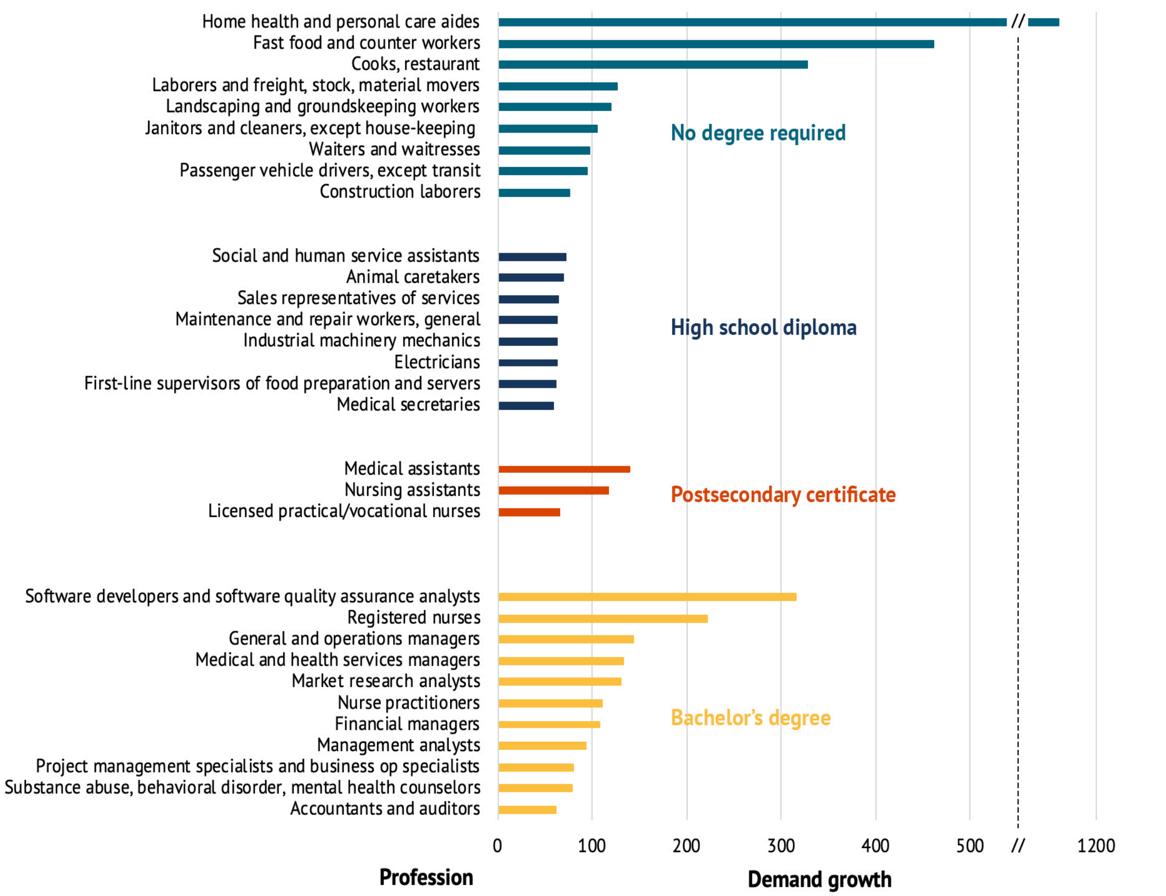
dynamic hinders job creation and undermines border security. The US should invest in expanding legal pathways for large-scale, employment-based migration, helping to meet US labor market demands.

In the short-term, the Biden administration should improve access to existing legal migration pathways to Northern Triangle applicants. Pathways such as the H-2A and H-2B visa programs allow US employers to bring migrants to the US to fill seasonal agricultural (H-2A) and nonagricultural (H-2B) jobs. With additional funding, such pathways could properly benefit sectors in need of additional labor,[6] including caregiving, agriculture, and tourism, to complement the existing workforce expansion under the Biden Plan for Mobilizing American Talent.[7] In the longer term, the Biden administration should introduce new bilateral agreements with the governments of El Salvador, Guatemala, and Honduras based on the Global Skill Partnership model to facilitate economic recovery post COVID-19.[8]

HOW MIGRATION BENEFITS THE US ECONOMY

Many sectors of the US economy depend on low-paid migrant labor, including agriculture,[9] tourism,[10] and healthcare.[11] The migration of low-paid workers to the US remains a contentious political issue. Yet evidence suggests that fears of migrants adversely impacting the wages, employment, and living standards of native low-paid workers are largely misplaced, while migrants' positive effects on the broad economy are significant and typically underestimated.[12] Each H-2 worker in the US adds more than $20,000 per year to the revenues of their employer,[13] thus directly and indirectly generating positive US tax revenue.[14] For example, an economic analysis of the North Carolina farm industry revealed that 7,000 foreign farm workers added somewhere between $248 million and $381 million to the state's economy in a single year—creating one additional American job for every three to five seasonal foreign farm workers.[15]

FIGURE 1. Rising demand for low-paid workers: The 30 occupations with largest projected absolute growth in US labor demand, 2019-2029, in thousands of new jobs



Note: Home health and personal care aides now combined into one OES code (31-1120). Demand growth is the change in absolute number of jobs (thousands) projected between 2019-2029. Education requirement is "typical formal education credential at entry level" as assessed by the Bureau of Labor Statistics.

Furthermore, the US economy faces shortages of workers in a number of industries that endure during the current COVID-19 pandemic, holding back American businesses and harming American consumers (figure 1). Over the next 10 years, even despite the adverse economic effects of COVID-19, the total number of net new jobs *of any kind* will be 6 million.[16] And while some industries will shrink, jobs that don't require more than a high school education will account for roughly a third of all new net growth in employment. In addition to a greater focus on local skill-building and mobilizing underemployed talent, US policymakers should think creatively about migration interventions that meet the needs of the US economy at all skill levels, as well as those of poorer economies around the world.

THE CONNECTION BETWEEN MIGRATION AND ECONOMIC PROSPERITY IN THE NORTHERN TRIANGLE

President-Elect Biden's plans for a "four-year, $4 billion regional strategy to address factors driving migration from Central America" acknowledges the lack of security and prosperity that pushes migrants to make the journey to the US.[17] This focus on improving economic development and opportunities in Central America is correct, though it is unlikely to deter irregular migration (at least in the short term).

On the whole, emigration rises with development, up to a point. Within low-income countries, richer people are more likely to emigrate.[18] And as low-income countries economically grow, more people are more likely to emigrate.[19] Investing in targeted aid programs may have some impact on specific root causes (e.g., violence reduction programs) but general economic development only deters emigration if successful in the long term.

To channel this movement into more productive pathways, the Biden administration should invest in both increasing the number of employment-based visas available to people from the Northern Triangle, and ensuring efficient and humane border enforcement. Solely providing evidence as to the dangers of irregular migration is unlikely to deter would-be migrants. Evidence from Mexico shows that only by investing in both legal labor pathways and border enforcement can the US reduce pressure to migrate via irregular channels.[20] This can be done effectively through cooperation with Northern Triangle countries and smart program design.

Such investments have the greatest potential to increase economic development in the Northern Triangle, and therefore curb irregular migration rates in the long term. Migrant workers can access higher earnings abroad and send back remittances, making such pathways "among the most effective development policies evaluated to date."[21]

IN THE SHORT TERM, IMPROVE ACCESS TO THE H-2 VISA PROGRAMS

The Biden administration can and should improve access to the H-2 visa program under current law.[22] Because US seasonal and temporary work visas are employer-led, improving access to them will require the administration to actively facilitate relationships between US employers, US government agencies, and Northern Triangle governments. This kind of cooperation is feasible: Canada has done this in partnership with Guatemala for the last 16 years and with Mexico dating back to 1974.[23]

Although the Trump administration signed bilateral agreements with Guatemala[24] and El Salvador[25] purportedly intended to facilitate increased "transparency, accountability, and worker safety" in the H-2A program, these agreements provided no actionable steps or accountability measures to ensure improved conditions for and recruitment of temporary migrants.

Still, bilateral agreements with the governments of El Salvador, Guatemala, and Honduras could be used to facilitate access to the H-2A and H-2B visa programs by Northern Triangle migrants. As a starting point, the Biden administration should establish a Bilateral Labor Markets Special Coordinator's Office within the Department of Labor.

Establish a Bilateral Labor Markets Special Coordinator's Office

At present, there is no office, bureau, or agency responsible for creating policy, designing projects, or executing programs related to migration and development. This lack of internal coordination has undermined bilateral cooperation. For example, the H-2 visas were created and are managed with essentially no internal or bilateral cooperation. This unilateral approach reduces the ability of the country of origin to provide oversight of working conditions and recruitment.

A Bilateral Labor Markets Special Coordinator's Office would create an internal hub for negotiating bilateral labor agreements with the respective ministries in El Salvador, Guatemala, and Honduras. This hub would coordinate between various US government agencies to establish coherence between domestic and international policy priorities, track and collect information on workers, and conduct in-depth evaluations to ensure programs are designed effectively.

Negotiate mutually beneficial bilateral labor agreements

This Special Coordinator's Office would then work with Northern Triangle governments to sign bilateral labor agreements, thereby improving access to the H-2 visa programs for would-be migrants. A CGD working group—Shared Border, Shared Future: A Blueprint for Regulating US-Mexico Labor Mobility—set out a framework for what a bilateral worker agreement could look like between the US and Mexico. Its vision and practical policy levers should be applied similarly to bilateral worker agreements between the US and the three Northern Triangle countries. Such bilateral agreements can be effective, if implemented with elements such as:[26]

- **Certified interlocutors** who can provide notice of job opportunities, pre-select candidates, and coordinate with employers on facilitating recruitment. These interlocutors could be international organizations such as the International Organization for Migration (IOM), ethical recruitment companies, or a specified government agency. Such an approach ensures that US laws (e.g., which ban illegal fees that unregulated recruiters commonly charge to migrants) are enforced.

- **Pre-departure training**, including information about the culture of the destination market, employment contracts and what to do if they are violated, health and safety, financial literacy, and where to go to seek support abroad.

- **Sectoral portability**, meaning beneficiaries would be able to move between employers within a certain segment of the labor market (either a sector, or a geographical area, or both). Currently, H-2 visa beneficiaries are tied to their employer, which can lead to abuse and exploitation. Such a system is also inflexible to the US labor market and associated skill shortages. There could be limited exceptions for certain jobs, but sectoral portability should be the norm.

- **Appropriate validity periods** given that seasonal workers do return home when visa programs are well-designed. US law requires all H-2 nonimmigrant visa applicants to satisfy officials at the US embassy that he or she has strong ties to their home country and intends to return—a burden met by the large majority of H-2 applicants. What deters such return is the fear that seasonal workers might lose the opportunity to once again work in the US.

Bilateral labor agreements could also include elements such as:

- ***Minimum employment guarantees*** for repeat participants with a track record of complying with their visa requirements.

- ***Targeting of employers in remote areas*** to ensure skill shortages in all areas are met.

Such policy levers will be successful in fostering cooperation internally to ensure evaluation of labor market impact and externally to advance regional partnerships with the Northern Triangle and Mexico. Improved conditions for migrants themselves, as granted by bilateral labor agreements, will be most successful if widely available.

Develop an outreach strategy for legal migration pathways

The number of US seasonal work visas approved for Northern Triangle migrants has been low and stagnant in recent years.[27] One of the reasons for this low take-up is a low level of awareness among would-be migrants as to the opportunities available.

For a migrant deciding between the two, greater accessibility to H-2 visa programs would appear competitive compared to an unlawful pathway. Employers petitioning for a visa are restricted from passing any of the application, recruitment, or travel costs onto the beneficiary, so an applicant for an H-2A visa pays nothing. This is compared to the average fees associated with irregular migration, which are routinely increasing.[28]

A proactive outreach strategy, led by the Department of State and funded by USAID, therefore has the potential to deter irregular migration. If regular temporary pathways were more transparent and readily understood in El Salvador, Guatemala, and Honduras—and if applications for these visas were processed more quickly—they could be competitive with irregular migration pathways.

Yet this is not the communications approach that the US government currently undertakes in the Northern Triangle. For example, language included in the Further Consolidated Appropriations Act, 2020 stipulated that 50 percent of the "assistance for the central governments of El Salvador, Guatemala, and Honduras" could not be obligated until the Secretary of State certified that each government was taking several steps to address corruption, protect rights, and promote the rule of law, including informing its citizens of the dangers of the journey to the southern border. However, there is strong evidence that such general disincentivizing campaigns do not have a meaningful impact on migrant decision-making.[29] Money would be better spent on informative campaigns surrounding the legal pathways that are available, rather than those that are not.

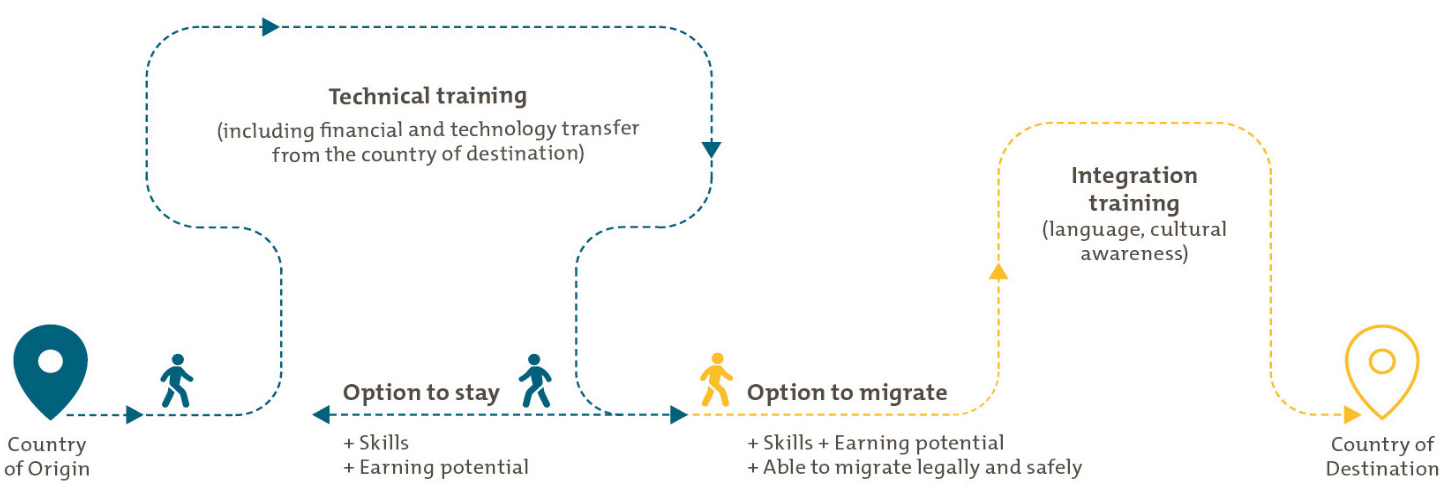
IN THE LONG TERM, INTRODUCE NEW BILATERAL AGREEMENTS BASED ON THE GLOBAL SKILL PARTNERSHIP MODEL

Prior to COVID-19, nearly every industry in the US had a labor shortage, particularly for low-paid, labor-intensive positions such as health care aides, restaurant workers, and hotel staff.[30] This is due to the fact that more Americans are going to college and taking high-paid jobs while working-class baby boomers are retiring en masse.[31] By 2050, 75 percent of the US workforce will be 65 or older, resulting in labor shortages to the tune of 400 million workers.[32]

On the other hand, demographic projections forecast that by 2040, the number of working-age people in El Salvador, Guatemala, and Honduras will expand by 9 million.[33] Across all low- and middle-income countries, the number is predicted to expand by 625 million. And as these countries grow richer, their rates of migration will likely increase.[34]

Some of this movement is likely to take place irregularly unless new legal channels for migration are created. If these pathways were linked to industries in the US facing labor shortages, the result could be higher incomes for migrants[35] and an expansion of economic activity that could lead to the creation of higher-paying jobs[36] for US citizens.

FIGURE 2. The Global Skill Partnership model



Design a Global Skill Partnership to plug skills gaps

This new legal channel should follow CGD's Global Skill Partnership model (figure 2), currently being implemented by other high-income countries such as Australia, Belgium, and Germany.[37] A Global Skill Partnership is a bilateral labor migration agreement between a country of origin and a country of destination. The country of origin agrees to train people in skills specifically and immediately needed in both the country of origin and destination. Some of those trainees choose to stay and increase human capital in the country of origin (the "home" track); others migrate to the country of destination (the "away" track). The country of destination provides technology and finance for the training and receives migrants with the skills to contribute to the maximum extent and integrate quickly.

As an example, the US could decide to enter into a nursing bilateral labor agreement with El Salvador. The US would train new nurses in El Salvador up to a specific skill level needed to work in the US labor market. Half of the newly qualified nurses would stay in El Salvador (the "home" track), providing a welcome boost to the number of trained nurses there and facilitating economic development. The other half would migrate to the US (the "away" track) after receiving training in English and other soft skills. Thanks to their targeted training, they would plug gaps in the US labor market and integrate well upon arrival.

The Biden administration should instruct the Department of Labor to coordinate Global Skill Partnerships. Set-up, coordination, and planning infrastructure could be funded by USAID through overseas development assistance. The costs of technical and vocational education could be covered by USAID (for those in the "home" track) and US employers (for those in the "away" track). US employers would also cover the costs of migration, similar to how the H-2 program operates now.

Global Skill Partnerships would complement an expansion of the H-2 program to the Northern Triangle as they provide an option that is non-temporary and targeted to specific labor shortages in the US. Such an approach would increase the productivity of US employers, enabling them to facilitate investment and hire more local workers. This will help the US economy recover from COVID-19 and provide a sustainable labor force from which to draw in the long term.

POLICY RECOMMENDATIONS

Migration from the Northern Triangle can either continue to create chaos at the southern border or be harnessed to benefit US communities and migrants alike. To ensure the latter, we propose that the Biden administration facilitate increased legal migration through existing and new pathways. This will require coordinated action across several departments.

- The **Department of Labor**, along with other appropriate US agencies such as the US Department of Agriculture, must assess demand for laborers across the US economy to establish evidence-based criterion for workers applying for or extending valid H-2 visa status or applying for a Global Skill Partnership program.

- The **Department of Homeland Security** must increase the efficiency of application processing within US Citizenship and Immigration Services (USCIS) so as to meet labor market demands in a timely fashion.[38] This requires limiting the barriers to application (shortening application forms, cutting processing times, keeping visa fees moderate) and increasing US employers' (and their representatives) access to assistance from USCIS when they have questions about the H-2 visa program.

- The **Department of State** must work with the governments of El Salvador, Guatemala, and Honduras to facilitate recruitment of eligible employees through funding the mandate for bilateral agreements and collaborating with regional partners to implement Global Skill Partnerships. This can be prioritized through USAID funding; similarly funded agreements are already in place under the Alliance for Prosperity initiative introduced in 2014 under the US Strategy for Engagement in Central America. However, they fall short of responding to regional and US labor market demands. Further, the proposed bilateral agreements would create an apparatus to replace and shut out unscrupulous recruiters.

- The administration should work with **Congress** to pass legislation introducing segmented visa portability for H-2 visas and creating a new visa with a special safeguard cap to support the Global Skill

Partnership model. Akin to the W nonimmigrant worker visa proposed in the Senate in 2013, a new visa would create a regular migration pathway for low-paid workers and also allow beneficiaries to leave their jobs to work for other employers registered with the program, creating a pool of labor that is responsive to labor market needs. A safeguard cap would protect against sudden inflows of workers while preserving responsiveness to changing conditions.

New legal pathways for migrants from the Northern Triangle will require coordination between US government institutions, private sector employers, and partner countries. While there is precedent for such cooperation, it will undoubtedly be a challenging task. Yet expanding such pathways, in conjunction with border enforcement, is the only way to effectively and permanently resolve the crisis at the southern border and ensure migration is mutually beneficial.

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MICHAEL CLEMENS is director of Migration, Displacement, and Humanitarian Policy and a senior fellow at the Center for Global Development.

REVA RESSTACK is a research assistant at the Center for Global Development.

CASSANDRA ZIMMER is a program coordinator at the Center for Global Development.

CONTACT:
czimmer@cgdev.org

Center for Global Development

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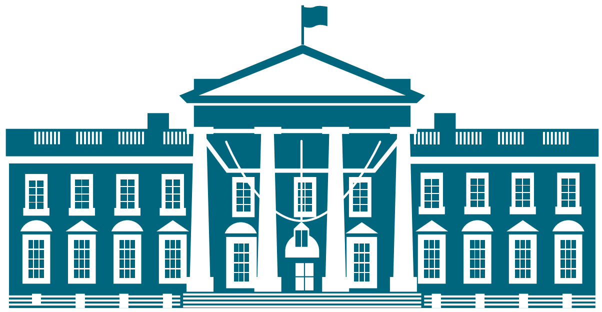


The White House and the World

Establishing USAID as a Leader in Evidence-Based Foreign Aid

Sarah Rose

US foreign assistance can and does deliver results.[1] There is documented evidence of aid programs saving lives and improving well-being across developing countries.[2] But in assessing whether federally funded international aid programs are achieving results and delivering value for money, the US government faces gaps in its understanding. Investments in evaluation can help provide answers that guide funding toward more effective programs and away from less effective approaches.

As the world's largest bilateral donor responsible for managing around $20 billion in annual funding, the US Agency for International Development (USAID) has a particular responsibility to take an evidence-informed approach to its work. It also has a congressional mandate to do so. The Foundations for Evidence-Based Policy Act ("Evidence Act"), signed into law in early 2019, requires federal agencies to evaluate the impact of their programs; scale the use of data, evidence, and evaluation in the policymaking process; and increase public access to federally held data.[3] Across these standards, USAID already outperforms many federal agencies, suggesting a solid base upon which to build.[4]

About 10 years ago, USAID reinvigorated its commitment to evidence-based programming and policymaking and set out to build a culture of evaluation and learning. Key steps included establishing a new evaluation policy; creating the Bureau for Policy, Planning and Learning (PPL) and within it the Office of Learning, Evaluation and Research (LER); launching Development Innovation Ventures (DIV), a unit within the Global Development Lab which identifies and rigorously tests new solutions to development problems and helps scale those with strong evidence of impact and cost-effectiveness; and initiating

KEY RECOMMENDATIONS

The White House should:

- Nominate a USAID administrator who will champion evidence-based policymaking.

USAID should:

- Establish a consolidated evidence and evaluation unit that reports directly to the administrator.
- Strengthen evaluation skills within missions by separating monitoring and evaluation functions.
- Use the procurement and program design processes to ensure interventions are based in evidence or integrate opportunities for experimentation and testing.
- Develop an impact evaluation strategy for each sector that prioritizes key questions..
- Invest in faster, less expensive data sources and impact evaluation methods.
- Advance efforts to analyze comparative cost-effectiveness.

a new research program to benchmark the cost effectiveness of USAID's traditional programming against that of cash transfers. Still, there remains significant scope for improvement. USAID's program decisions are not systematically informed by evidence, and while the agency produces more evaluations of its own work than it did a decade ago, relatively few are rigorous or high quality.

Over the last four years, however, momentum on evidence and evaluation has stalled at USAID. The Trump administration regularly demonstrated its skepticism of—even opposition to—development assistance by proposing huge budget cuts, attempting to rescind appropriated funds, and taking a transactional view of aid by frequently seeking to tie disbursements to foreign policy priorities.[5] In this environment, evidence and evaluation fell down the priority list.

Meanwhile, the need for evidence-based policymaking and programming has only grown. The COVID-19 pandemic has magnified hardship for many around the world, and the Biden administration will confront almost unprecedented development challenges.[6] Strengthening global health security and supporting global economic recovery will almost certainly be top priorities. But for these efforts to be as effective as possible, they must be underpinned by evidence. Furthermore, with the pandemic's fiscal impact likely to squeeze future aid budgets, identifying and pursuing approaches that deliver value for money will be more important than ever.

USAID needs to recommit to advancing evidence-based policy and programming. Key objectives for the agency should include: increasing the proportion of USAID-funded programming that is grounded in evidence; investing in research on the effectiveness of interventions for which evidence is mixed or limited; and advancing efforts to understand more about the cost-effectiveness of the agency's programs. This brief provides a set of targeted recommendations to pursue those goals.

THE STATE OF EVIDENCE-BASED DECISION-MAKING AT USAID: PROGRESS AND CONSTRAINTS

USAID's evaluation policy remains an industry gold standard. When introduced in early 2011, it gave new momentum to evaluation at USAID. In the years that followed, the number and quality of USAID evaluations increased.[7] Hundreds of USAID staff have been trained in evaluation concepts and processes, underscoring the idea that USAID staff are responsible for adding to the body of development evidence and learning from it.

TYPES OF EVIDENCE AND THEIR USES

USAID invests in and uses a range of different kinds of evidence. Understanding their differences is key for knowing what each can say about "results."

"Monitoring and evaluation" (M&E)—and increasingly **"monitoring, evaluation, and learning" (MEL)**—refer to efforts to gather information about program results.

Performance monitoring is the ongoing collection of quantitative data (performance indicators) to gain insight into whether implementation is on track and whether basic objectives are being achieved. Performance indicators typically include outputs (e.g., farmers trained) and outcomes (e.g., hectares under improved cultivation).

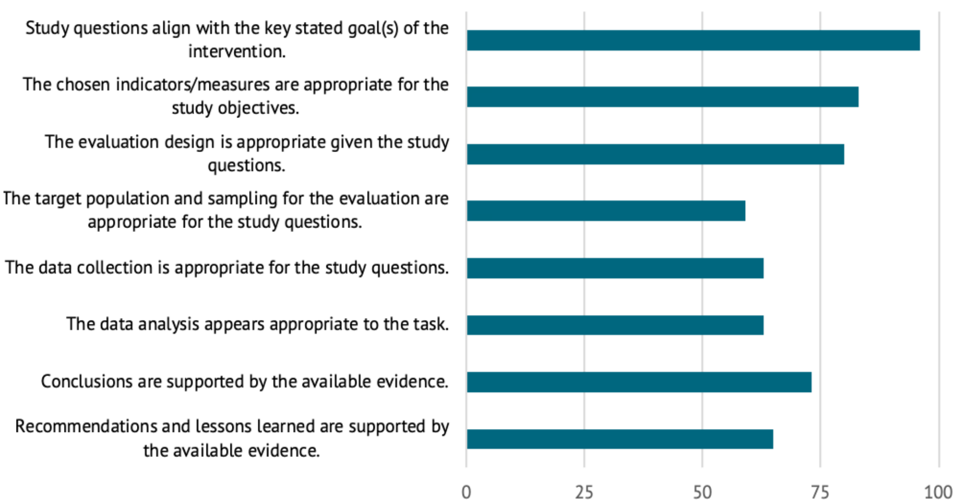
Evaluation is, according to USAID's evaluation policy, "the systematic collection and analysis of information about the characteristics and outcomes of strategies, projects, and activities as a basis for judgments to improve effectiveness, and timed to inform decisions about current and future programming." Evaluation has two main purposes: accountability and learning.

Performance evaluations seek to answer questions like what has the program achieved? How was it implemented? And how was it perceived? These evaluations often compare outcomes before and after the program but don't include a counterfactual to attribute observable changes to the specific intervention. Done well, their findings can be valuable for program management and design.

Impact evaluations measure the change in outcomes that are directly attributable to a particular intervention. Impact evaluations use experimental methods (randomized control trials or RCTs) or quasi-experimental designs to construct a counterfactual that controls for other factors that might have affected outcomes in addition to the program.

Despite these advances, there is considerable scope for improvement. First, evaluation quality remains mixed.[8] Average evaluation quality improved in the years after the evaluation policy was instituted, but improvement was uneven across studies and modest overall.[9] GAO studied a sample of USAID evaluations from FY2015 and found that only a quarter met all their quality criteria.[10] The most common deficiencies were in sampling, data collection and analysis, and ensuring that findings and recommendations were based on the data (figure 1). Quality problems affected both performance and impact evaluations but were more commonly found with performance evaluations.[11]

FIGURE 1. Percent of sampled USAID evaluations that met each of GAO's evaluation quality criteria



Source: US Government Accountability Office, 2017. "Foreign Assistance: Agencies Can Improve the Quality and Dissemination of Program Evaluations."

In addition, despite higher numbers of evaluations overall, impact evaluations—studies that can measure results attributable to a USAID program—remain rare.[12] While some parts of the agency—notably, parts of the Bureau for Economic Growth, Education, and Environment and the Democracy, Rights and Governance Center—have had periods of intentional investment in impact evaluations, they've been a low priority for much of the agency. Of course, impact evaluations aren't always appropriate or feasible,[13] but they offer valuable learning opportunities for interventions where the evidence base is limited or mixed.

There are a number of constraints to producing more and higher quality evaluations at USAID. Time-strapped field staff are under pressure to execute programming, manage contracts, and fulfill reporting requirements. This can leave limited time to pursue evaluations and compress evaluation timelines, which can compromise their quality, especially the quality of sampling and data collection.[14]

Capacity constraints also play a role. Since 2011, USAID has hired more staff with evaluation expertise.[15] Nevertheless, many M&E staff, who spend most of their time on performance monitoring tasks, have limited evaluation experience or expertise. And when staff have limited time, incentive, or technical background, even strong evaluation training and guidance from PPL can only go so far. At USAID's headquarters in Washington, both PPL and the pillar bureaus have in-house evaluation experts who can provide support to the field, but these resources are available by request, and opportunities to request support—both for identifying evaluation opportunities and planning for quality studies—can easily be overlooked.

Another challenge that plagues evaluation is one of timeliness. Evaluation, especially impact evaluation, is perceived as slow and expensive—and that is frequently a fair assessment. Program managers are reluctant to conduct evaluations if it will slow program implementation. And if evaluation results won't be available until years after a program has concluded, program managers have little incentive to pursue them. Partly in response to questions of timeliness, there's growing interest—including at USAID—in new, more rapid evaluation methodologies.[16] The agency is also exploring opportunities to use administrative data and other data sources (e.g., satellite or geospatial data) in places of slower, more costly, and sometimes duplicative specialized surveys.[17] But these remain somewhat rare.

While all these constraints apply to evaluations across the board, they are more acute for impact evaluations, which typically require more time and specialized knowledge.

Evidence informs policy and program decisions more episodically than systematically

The value of evaluation lies largely in its use. Indeed, basing funding decisions on analyses and evidence is a core principle of USAID's Program Cycle.[18] But its implementation is inconsistent in practice. While the vast majority of USAID evaluations are used to inform some kind of decision making (usually just within the unit that commissioned the study), it's not clear how well the broader universe of evidence—including evaluations conducted by other donors and organizations—is brought to bear.[19] In at least one documented case, an incomplete review of evidence led USAID to solicit bids for a program with a disproven theory of change.[20] As this example demonstrates, failure to examine the evidence case for an approach can lead to inefficient spending. It can also miss opportunities to pursue more effective approaches, or—where proposed approaches are untested (or undertested)—to plan an accompanying evaluation, as required by policy. USAID seeks to avoid this for large programs by requiring senior leadership to review proposals; as part of this process, staff are asked to include the evidence case for the selected approach.[21] But while this can be a helpful prompt, it's unclear how heavily the evidence case is weighted relative to the other criteria under review, how the strength and comprehensiveness of the evidence presented is evaluated, or even what expectations for remediation—if warranted—would be at such a late stage in the design process.

There are several barriers to greater uptake of evidence in program design.[22] Again, time and capacity constraints loom large. Where evidence exists it's often inaccessible to busy staff with little time to conduct a full evidence review and limited expertise in concepts relevant to understanding econometric research.[23] Summarizing and synthesizing evidence can help, and USAID and other organizations like 3ie have several tools and processes (e.g., evidence gap maps, synthesis reports, newsletters, knowledge sharing platforms, evidence summits) to help missions learn from evaluation findings, but these are not always widely used.[24]

Another barrier to evidence use is skepticism of its relevance. This is partially related to quality but not exclusively. Certainly, low-quality evaluations—those without a valid methodology or credible findings— won't convey useful information. But questions of relevance can also surround high-quality studies. Because the results of an individual evaluation may not always be generalizable to other contexts, staff may (sometimes rightly) feel its findings are irrelevant to the project they are designing. Multiple evaluations of similar interventions in different contexts can strengthen the evidence base for a given approach, but the kind of replication and synthesis needed to achieve this type of meta-analysis has been rare. Evaluation resources are often spread broadly, and researchers tend to have professional incentives to pursue "cutting edge" questions.

It is also important to note that the primary objective of a significant portion of USAID funds is advancing US foreign policy interests—even if the investments are nominally about development. When development objectives are ancillary to the program's core goals, staff may have less scope—or less time—to bring evidence to bear on program design.[25]

Costing and cost-effectiveness are understudied, though nascent efforts are encouraging

With aid budgets under pressure, USAID's value for money will likely come under increased scrutiny. To be well positioned to defend development spending, USAID and foreign aid advocates would benefit from a robust understanding not only of program results (i.e., was the program better than nothing) but also answers to questions about opportunity cost: did a project work well enough to justify spending money on it compared to using those funds for something else? Is a project's impact per dollar greater than that of an alternative?[26]

But while impact evaluations have been rare, impact evaluations that include the kind of cost analysis necessary to understand impact per dollar are rarer still.[27] And where cost analysis has been done, the underlying cost data has been of mixed quality and methodologies have often varied, limiting their comparability across studies.[28]

USAID has started to tackle the question of cost effectiveness. It funds and participates in the Costing Community of Practice, run out of the University of California, Berkeley's Center for Effective Global Action, and the Office of Education established a cost measurement initiative to analyze program costs and link them to outcomes.[29] In addition, DIV has launched a series of costed impact evaluations that attempt to compare the per-dollar results of several "traditional" aid programs with those of cash transfers. The premise of this exercise, known as cash benchmarking, is that since cash transfers have a demonstrated ability to shift individual or household outcomes and are among the lowest cost interventions, they make a useful benchmark to determine whether a "traditional" program adds any value.[30] But while these efforts are promising, they are relatively new and niche and will require a champion for cost effectiveness to advance them.

Responsibilities for promoting evidence remain fragmented and reach to missions is limited

USAID made a number of bureaucratic changes to better implement its new focus on evidence. In 2010, the agency established the Bureau for Policy, Planning and Learning (PPL) and within that, the Office of Learning, Evaluation, and Research (LER) which sets operational policy and provides agency-wide guidance on monitoring, evaluation, and learning. The same year, USAID launched DIV, a unique program that identifies and rigorously tests new solutions to development problems and helps scale those that prove successful. In 2014, the agency created the Global Development Lab, which became the bureaucratic home for DIV, along with (among other units) the Center for Development Research (CDR), which supports the creation of scientific knowledge and evidence around USAID's development priorities, and the Office of Evaluation and Impact Assessment (EIA), which supports evaluations of innovative approaches, especially related to science and technology.

These have been important structural advances to help refocus the agency on evidence and evaluation. But the configuration also has limitations. Responsibility for evidence and learning ends up fragmented across the agency, not only across the aforementioned units but also across pillar bureaus whose evaluation points of contact have a significant role in supporting evaluations and disseminating evidence. This may make it harder for mission staff to know where to turn for what type of support. And some functions, like capacity building around evidence and dissemination of evidence-based learning, may be duplicated. In addition, LER and DIV have had limited reach to missions where most evaluation efforts are managed. And because they are small units sitting within much larger bureaus, they—and their focus on evidence—can be overshadowed by their respective bureaus' other activities.[31]

USAID's impending restructuring provides an opportunity—and underscores the need to—ensure evidence and evaluation functions are elevated rather than sidelined in the shift. In response to a Trump administration call for agency reorganization, USAID put forward an agency-wide transformation plan, which includes several shifts in bureaucratic structure. Under the proposed reorganization, DIV will move into the new Bureau of Development, Democracy and Innovation, and LER and EIA will be combined into a new Office of Learning and Evaluation within a proposed new Bureau for Policy, Resources and Performance—though the latter still awaits congressional approval .[32] A core goal of the next phase of restructuring should be to elevate and consolidate the agency's evidence, evaluation, and learning functions and extend their reach to better support missions.[33]

POLICY RECOMMENDATIONS

USAID has an opportunity to be a leader in evidence-based foreign aid. To elevate an evidence-oriented agenda at USAID and overcome barriers that undermine the generation of high-quality evidence and its systematic use, the next administration should prioritize the following actions. Some of these would involve the creation of new staff positions with corresponding resource implications. The next administration should make the case for increased hiring to fill these positions in an early budget request to Congress—highlighting their role in improving the effectiveness and efficiency of appropriated funds, as well as the decline in US direct hires over the past five years.[34]

The White House should:

Nominate a USAID administrator who will champion evidence and commit to advancing evidence-based policymaking. High-level political support is critical for shifting agency practice and culture.[35] The nominee for USAID administrator should have a track record as an evidence champion who is clearly committed to advancing evidence-based policymaking at USAID. The nominees to head PPL (or the proposed new Bureau for Policy, Resources and Performance) and the pillar bureaus must be similarly committed to evidence, but administrator-level support will be critical for other senior leaders to be effective in their pursuit of evidence-based policymaking.

USAID should:

Create a new, consolidated evidence and evaluation unit with leadership that reports directly to the administrator. Such a unit would consolidate and expand the evidence, evaluation, and learning functions—currently housed across PPL, the remnants of the Global Development Lab, and what's now the Bureau of Development, Democracy and Innovation—under a new senior leadership position empowered, through its direct link to the administrator, to push forward an evidence-oriented agenda.[36] The unit's structure would highlight and elevate evidence, evaluation, and learning functions rather than subsuming them under multiple larger bureaus. It would also reduce duplication and allow a more streamlined evidence and evaluation strategy. Two of the new or expanded functions of this unit should include:

- *Stronger, centralized impact evaluation services*: USAID should establish a team of impact evaluation support specialists who would proactively work with missions to identify opportunities to pursue impact evaluation, to ensure methods and sampling are adequate to the questions being asked, and to manage the implementation and dissemination of the evaluations. It is unrealistic for specialized impact evaluation skills to be diffused across missions, especially when this type of evaluation is often a small part of a typical mission M&E officer's portfolio. Managed by the centralized evidence and evaluation unit, these staff could reside in Washington (with linkages to the pillar bureaus) and/or regional missions in order to serve multiple missions and be deployed, as needed, to embed within operational teams.[37] While this function could be partially covered by existing staff, it may require budget for additional staff salaries.

- "*Evidence broker" functions:* For communication about evidence to be relevant to policy and program decision makers, it must be tailored to their immediate needs.[38] Establishing a cadre of evidence broker staff—employing a hybrid set of analytical, policy, and communications skills—can, from a central or embedded position, socialize the results of new studies and translate relevant findings into targeted recommendations for program design.[39] Evidence brokers can also play a central role in the review and approval of the evidence case presented for new programs. This recommendation would entail creating new staff positions.

Strengthen evaluation skills within missions. Even with centralized impact evaluation services, some mission-level evaluation functions will remain important to identifying opportunities for impact evaluation, to work with a centralized impact evaluation support team, and to ensure high quality performance evaluations. Given the amount of time M&E staff spend on performance monitoring and fulfilling reporting requirements, USAID should separate monitoring and evaluation functions into two staff roles at the mission level.[40] In selecting evaluation staff, they should weigh heavily a familiarity and experience with quantitative and qualitative evaluation methods. This recommendation would entail creating new field staff positions.

Build evidence use and generation into the procurement and program design processes. USAID should frame its award solicitations around evidence generation and use.[41] This would come with no additional budget requirements.

- *Where the evidence base is weak or contradictory*, USAID is less able to provide strict technical guidance about implementation and the agency should pursue more flexible award types that allow for experimentation and testing and should evaluate bids, in part, on how well the proposal would accommodate evaluation. Awards for untested approaches should start small with opportunities to expand depending on evidence of effect.

- *Where there is a stronger evidence base*, either a (more prescriptive) contract or (more flexible) cooperative agreement may be used, but solicitations for either type of award should adequately reflect the state of evidence. In a solicitation for a contract, USAID should summarize the body of evidence upon which its proposal is built. For cooperative agreements, the solicitation should require bidders to summarize the relevant evidence that motivates their proposed approach and bids should be scored, drawing on the expertise of evidence brokers or other M&E staff, on how well the proposed approach demonstrates an understanding of the existing evidence.

- *For co-creation processes*, evidence brokers or other M&E staff should be involved in early convenings to lay out the evidence base, discuss theories of change, and outline expectations for building evidence.

Focus impact evaluation resources more strategically. To improve the utility and relevance of its evaluations, LER (or its successor), in partnership with the pillar bureaus, should create a strategy for each sector that serves to focus impact evaluation resources on a limited set of key questions.[42] Narrower than a typical learning agenda—which, in the name of consensus, tends to encompass too many questions without meaningful prioritization[43]—the strategy should emphasize questions about common or highly funded USAID approaches and include space for replication rather than exclusively focusing on "cutting edge" research. While strategy development itself carries no budget implications, implementing it will require bureaus and missions to set aside program funds on the order of three to five percent to finance evaluations.

Invest in faster, less expensive impact evaluation methods. To reduce barriers to pursuing impact evaluation, PPL (or its successor) should encourage and incentivize methods that lower the cost of impact evaluation and yield more timely results. These should include prioritizing the use of administrative data where possible, accompanied, as relevant, by support to improve administrative data quality; expanding efforts to use other non-survey data sources, like satellite or geospatial data; and experimenting with new rapid evaluation methodologies.

Advance cost-effectiveness analysis, both internally and industry wide. USAID should redouble its efforts to understand comparative cost-effectiveness. USAID's next steps—which can be accomplished at minimal additional cost—should include expanding its support for and leadership in multi-stakeholder efforts to establish a common costing methodology to enable more consistent and available cost evidence.[44] Since each organization benefits from the generation of evidence by others, a coordinated effort is critical. The agency should then adopt a commonly accepted costing methodology and ensure impact evaluations begin to include cost data.[45] USAID should also expand its cash benchmarking work by prioritizing questions for costed impact evaluation and synthesizing findings on the range of per-dollar results of different interventions.[46] This effort should also include external coordination. As a pioneering donor in cash benchmarking, USAID should seek to convene other donors interested in costed impact evaluation and/or cash benchmarking to join forces to identify gaps and address them in a strategic and intentional way.

ADDITIONAL READING

Sarah Rose and Amanda Glassman, 2017. "Advancing the Evidence Agenda at USAID." CGD Note. Center for Global Development.

Sarah Rose, 2018. "As USAID Thinks about Procurement and Program Design, It Should Keep Evidence in Mind." CGD Blog. Center for Global Development.

Sarah Rose and Amanda Glassman, 2018. "Committing to Cost-Effectiveness: USAID's New Effort to Benchmark for Greater Impact." CGD Note. Center for Global Development.

Center for Global Development Evaluation Gap Working Group, 2006. When Will We Ever Learn: Improving Lives through Impact Evaluation. Center for Global Development.

The Lugar Center and The Modernizing Foreign Assistance Network, 2017. From Evidence to Learning: Recommendations to Improve U.S. Foreign Assistance Evaluation.

ENDNOTES

1 Sarah Rose, 2017. Some Answers to the Perpetual Question: Does US Foreign Aid Work—and How Should the US Government Move Forward with What We Know? CGD Blog. Center for Global Development.

2 Amanda Glassman and Miriam Temin, 2016. Millions Saved: New Cases of Proven Success in Global Health. Center for Global Development; Eran Bendavid, Charles Holmes, Jay Bhattacharya, and Grant Miller. 2012. "HIV Development Assistance and Adult Mortality in Africa." JAMA. 2012;307(19):2060–2067; Michael Clemens, Steven Radelet, Rikhil R. Bhavnani, and Samuel Bazzi, 2011. Counting Chickens When They Hatch: Timing and the Effects of Aid on Growth. CGD Working Paper 44. Center for Global Development; Jonathan Glennie and Andy Sumner, 2014. The $138.5 Billion Question: When Does Foreign Aid Work (and When Doesn't It)? CGD Policy Paper 049. Center for Global Development.

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7 Molly Hageboeck, Micah Frumkin, and Stephanie Monschein, 2013. Meta-Evaluation of Quality and Coverage of USAID Evaluations 2009-2012. Management Systems International.

8 Julia Goldberg Raifman, Felix Lam, Janeen Madan Keller, Alexander Radunsky, and William Savedoff, 2017. Evaluating Evaluations: Assessing the Quality of Aid Agency Evaluations in Global Health. CGD Working Paper 461. Center for Global Development.

9 Hageboeck et al., 2013. See page 156 for more details on how MSI constructed its composite quality score

10 US Government Accountability Office, 2017. "Foreign Assistance: Agencies Can Improve the Quality and Dissemination of Program Evaluations." US Government Accountability Office, March 2017.

11 US Government Accountability Office, 2017; Goldberg Raifman, et al., 2017.

12 Hageboeck, et al.; US Government Accountability Office, 2017; Goldberg Raifman, et al., 2017.

13 Mary Kay Gugerty and Dean Karlan, 2018. "Ten Reasons Not to Measure Impact—and What to Do Instead." Stanford Social Innovation Review.

14 The Lugar Center and the Modernizing Foreign Assistance Network, 2017. From Evidence to Learning: Recommendations to Improve U.S. Foreign Assistance Evaluation.

15 The Lugar Center and the Modernizing Foreign Assistance Network, 2017.

16 International Initiative for Impact Evaluation, 2020. "Big Data Systematic Map." https://gapmaps.3ieimpact.org/node/24092/about; USAID. n.d. "Rapid Feedback Monitoring, Evaluation, Research and Learning (Rapid Feedback MERL)."

17 For example, the College of William and Mary's AidData, with funding from USAID, has conducted innovative RCTs using geospatial data (https://www.aiddata.org/gie), including of USAID programs (Ariel BenYishay, Rachel Trichler, Dan Runfola, and Seth Goodman, 2018. A Quiet Revolution in Impact Evaluation at USAID. Future Development Blog. Brookings Institution). And USAID's own GeoCenter is a strong resource that can help missions apply geospatial data for monitoring and evaluation purposes (https://www.usaid.gov/digital-development/advanced-geographic-and-data-analysis). See also the brief in this series on US global health leadership, which recommends US support to partner countries to strengthen the accuracy of routinely reported administrative data to help enable more real-time analytics to inform health policy and programming.

18 USAID, 2020. ADS Chapter 201: Program Cycle Operational Policy. https://www.usaid.gov/sites/default/files/documents/1870/201.pdf.

19 Molly Hageboeck, Micah Frumkin, Jenna L. Heavenrich, Lala Kasimova, Melvin Mark, and Aníbal Pérez-Liñán, 2016. "Evaluation Utilization at USAID." Management Systems International; USAID, 2020. "Evaluation." https://www.usaid.gov/evaluation.

20 USAID/Ukraine issued a solicitation for bids to implement a community driven development program with the goal of creating greater acceptance of shared culture and increasing participation to improve governance and resolve community problems. However, a synthesis done by the International Initiative for Impact Evaluation (3ie) of 25 impact evaluations of community driven development programs found that they have little or no impact on social cohesion and governance outcomes (Sarah Rose, 2018. As USAID Thinks about Procurement and Program Design, It Should Keep Evidence in Mind. CGD Blog. Center for Global Development.

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21 This refers to the Senior Obligation Alignment Review (SOAR).

22 Sarah Rose and Amanda Glassman, 2017. Advancing the Evidence Agenda at USAID. CGD Note. Center for Global Development.

23 Even USAID's own online evaluation repository is a challenge to navigate (The Lugar Center and the Modernizing Foreign Assistance Network, 2017).

24 International Initiative for Impact Evaluation. Evidence Gap Maps. https://www.3ieimpact.org/evidence-hub/evidence-gap-maps; Hageboeck, et al., 2016.

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27 David Evans, 2016. Why don't economists do cost analysis in their impact evaluations? World Bank Blog. World Bank.

28 University of California, Berkeley Center for Effective Global Action. https://cega.berkeley.edu/costing-community-of-practice-ccop/.

29 USAID, 2020. "USAID Cost Measurement." https://www.edu-links.org/resources/usaid-cost-measurement.

30 Craig McIntosh and Andrew Zeitlin, 2018. Benchmarking a Child Nutrition Program against Cash: Experimental Evidence from Rwanda. Innovations for Poverty Action; Craig McIntosh and Andrew Zeitlin, 2020. Using Household Grants to Benchmark the Cost Effectiveness of a USAID Workforce Readiness Program. Innovations for Poverty Action; Sarah Rose and Amanda Glassman, 2018. Committing to Cost-Effectiveness: USAID's New Effort to Benchmark for Greater Impact. CGD Note. Center for Global Development; Sarah Rose, 2020. The Case for Cash—Beyond COVID—Gains Strength: New Data on Comparative Cost-Effectiveness. CGD Blog. Center for Global Development.

31 Rose and Glassman, 2017.

32 USAID Congressional Notifications on the bureaucratic restructuring https://pages.devex.com/rs/685-KBL-765/images/USAID-Congressional-Notifications.pdf.

33 For example, DIV will be one part of one of nine sub-units that make up the Bureau of Development, Democracy and Innovation.

34 In FY2019, USAID had 3,551 direct hires, compared with 3,804 in FY2015 (USAID. 2019. "Agency Financial Report Fiscal Year 2019." https://www.usaid.gov/sites/default/files/documents/1868/USAIDFY2019AFR_508R.pdf; USAID. 2016. "USAID Staffing Report to Congress." https://www.usaid.gov/open/staffing/fy16

35 Many have pointed out that the key to the success of USAID's evaluation policy and the creation of PPL and DIV was Administrator Shah's prioritization of evidence-based policymaking.

36 The unit's leadership could fulfill an empowered and expanded version of the chief evaluation officer required in the Evidence Act.

37 The US General Services Administration's Office of Evaluation Sciences and the World Bank's Gender Innovation Lab provide two successful models of this approach.

38 The Millennium Challenge Corporation, which was founded with evidence-based decision-making at the core of its model, recently created an evidence broker position. It has found that operations staff are engaging with evidence more than in the past thanks to direct conversations with staff whose job it is to make evidence relevant to their work, along with synthesis products that make evaluation findings more accessible and legible (Sarah Rose, 2019. MCC Turns Research into Learning. CGD Blog. Center for Global Development.

39 A similar recommendation was put forth in the Lugar Center and the Modernizing Foreign Assistance Network (2017).

40 This could align with the Evidence Act's provision for a new evaluation specialist job track.

41 Rose, 2018.

42 An impact evaluation strategy would contribute, in part, to USAID's response to the Evidence Act's requirement to develop an "agency evidence-building plan." The plan needs to include, among other things, a list of questions for which the agency intends to build the evidence base, a list of data the agency will collect, and the methods the agency will use to develop this evidence.

43 The Self-Reliance Learning Agenda, for example, contains 13 main questions—but over 50 sub-questions—few of which are rigorously testable.

44 This could include, for instance, expanding its work with the University of Berkeley's Center for Effective Global Action's Costing Community of Practice.

45 For example, the International Rescue Committee's Airbel Impact Lab, in partnership with Mercy Corps, Save the Children, Action Against Hunger Spain, and CARE USA, has developed a Systematic Cost Analysis (SCAN) tool to help simplify and systematize cost analysis (https://airbel.rescue.org/projects/scan/).

46 Rose, 2020.

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SARAH ROSE is a policy fellow at the Center for Global Development.

CONTACT:
srose@cgdev.org