



The White House and the World: Practical Proposals on Global Development for the Next US President

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Why What Happens Abroad Matters at Home

Effective global development policies are central to maintaining America’s stabilizing leadership in the world, improving Americans’ livelihoods, and growing America’s markets overseas for the coming decade. With responsibility to protect the American people and promote their prosperity, the next US president must develop and promote a unifying strategy that addresses vexing global threats while also advancing US commercial and foreign policy interests. Such a strategy must deploy the full range of military, diplomatic, and development tools available to the US government in a coordinated and cohesive manner. In this century, global development policy—and one that includes trade, investment, and migration as well as foreign aid—is no longer just the right thing to do. It is a sound investment in America’s long-term security.

Many of the security threats that imperil Americans have arisen in settings where democracy and development have never taken root—or were stalled or reversed before they were consolidated. Destructive and destabilizing conflicts are raging in Syria, Iraq, Libya, and Yemen. Afghanistan faces a highly uncertain transition as US troops withdraw and the foreign engagement–led boom declines. Weak or failed states—such as Somalia—remain a haven for armed groups that destabilize and undermine development progress in their neighbors. Religious extremism in Nigeria, the Sahel, and the Middle East puts democracy and human freedoms in fledgling economies at risk. These freedoms appear fragile, or even on the retreat, in Egypt, Myanmar, and a number of Sub-Saharan African nations.

Other global and regional challenges also undermine progress in poor countries and threaten Americans’ own future. The Ebola crisis in West Africa—exacerbated by weak health systems and the lack of a timely global response mechanism—was a frightening reminder of

SUMMARY

The United States has been the leader of the free world for decades, championing a liberalized open global economy, the modernization of states, and a system of global institutions and rules that has lifted millions out of poverty. However, US development policy has remained narrowly focused on aid as the major tool for building prosperous societies abroad—even as the rise of China and other emerging markets and the dramatic increase in private capital and remittance flows are putting a growing premium on other, underexploited US tools for encouraging growth in the developing world.

In this series, we present more than a dozen concrete and practical policy proposals—ranging across trade, energy, migration, investment, and climate policy, as well as greater effectiveness of US foreign aid programs—that will promote growth and reduce poverty abroad.

Each can make a difference at virtually no incremental cost to US taxpayers. Together they can help secure America’s preeminence as a development and security power and partner.

the risks of global pandemics. Gender discrimination, corruption, lack of opportunity, and repressive governments in many parts of the developing world are an affront to universal values. America is often the only actor capable of marshaling the resources, political



capital, and technical know-how required to address these tough issues.

In addition to security threats, the US economy and the American workforce are more reliant than ever on developing-country markets. US exports to developing countries have grown by more than 400 percent over the last 20 years. Today, they total more than \$600 billion annually and are greater than US exports to China, Europe, and Japan combined (figure 1). Brazil, Colombia, India, Korea, Malaysia, Turkey, and other countries are leading markets for US exports. Three decades ago, these were relatively poor countries that offered limited US export potential. Populous countries like Bangladesh, Ethiopia, and Nigeria have the potential to be the next wave of emerging markets. It makes strategic sense to further advance America’s global prosperity agenda, thereby helping to grow middle-class societies that drive democratic change, promote peace with their neighbors, and reliably purchase US products and services.

While the list of challenges is long, US global leadership has contributed to tremendous progress throughout much of the world. Over the last 25 years, health and education outcomes have improved at a pace previously unknown in human history. Life expectancy has increased by nearly a decade in poor countries. Child mortality has nearly halved. Girls in poor countries are almost two times more likely to complete secondary

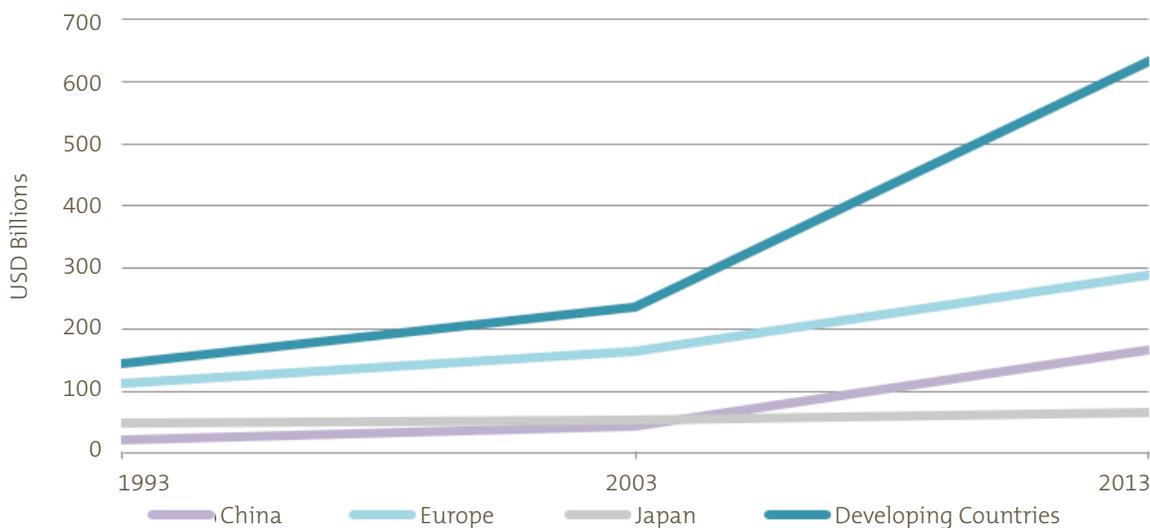
schooling. Seemingly intractable conflicts in Africa and other regions have been contained. Democratic freedoms are demonstrably higher than during the Cold War era. US engagement and leadership has played a critical role in helping to achieve these remarkable gains in human well-being and in greater long-term security for people around the world, as well as for Americans.

US Development Policies Must Reflect Rapidly Changing Global Dynamics

At the same time, the world has changed significantly over the last few decades and US development strategy and programs have been slow to respond.¹ The world has become much more multipolar. China and emerging regional powers—such as Brazil, India, and Turkey—continue expanding engagement and influence with poorer and smaller countries. This heightened engagement provides developing countries with more options for strategic partners, commercial relationships, and financing for major public investments.

For instance, China will provide most of the capital for the new \$100 billion Asian Infrastructure Investment Bank (AIIB). The AIIB will be the first global financial institution in which the United States lacks any formal involvement. Its creation was partly driven by emerging markets’ frustration with America’s blockage

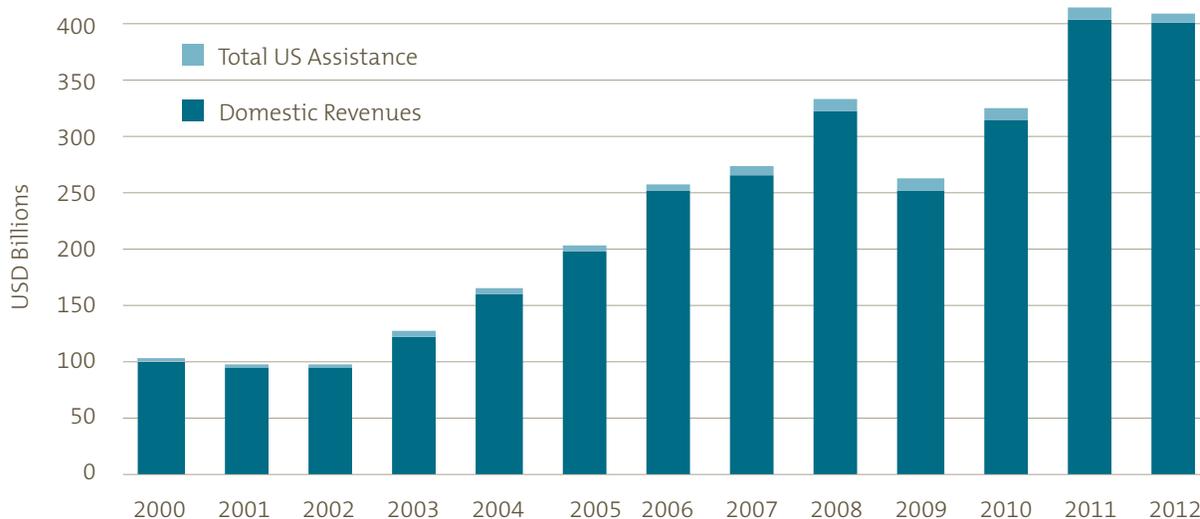
Figure 1 US Exports to Select Countries, 1993–2013



Source: Afrobarometer, Latinbarometer, and authors’ calculations



Figure 2 Domestic Revenues Now Dwarf Total US Aid to Sub-Saharan Africa



Sources: International Monetary Fund; Organisation for Economic Co-operation and Development’s Development Assistance Committee (OECD-DAC).

Note: In this instance, aid is defined as official development assistance and other official flows as reported to the Organisation for Economic Co-operation and Development’s Development Assistance Committee. World Bank aid figures include both concessional and nonconcessional commitments by the International Development Association and the International Bank for Reconstruction and Development.

of reforms to the existing multilateral financial system. Congress has repeatedly failed to approve an International Monetary Fund reform package and has resisted further reforms of the World Bank’s and regional development banks’ cumbersome processes and governance structures. With more than 50 other founding countries (including major US allies despite White House resistance), the AIB’s existence is a sign of changing times. It also could have dramatic implications for the US-led global financial and trading system that was developed after the Second World War. Indeed, the majority of people in the Middle East, Latin America, and Europe now believe that China will surpass the United States as the world’s superpower.² In addition, more than half of Americans believe that US global power and influence is less than it was a decade ago.³

Within this changing landscape, aid continues to be the US development policy tool that receives the most attention. Yet foreign aid money is now only one of many tools for fostering development. By illustration, whereas US aid disbursements totaled \$31 billion in 2012, remittances from America to developing countries were four times larger (\$123 billion).⁴ Moreover, in all but the poorest developing countries, government revenues far exceed foreign aid, as do remittances and foreign direct investment. By illustration, revenues have increased

sixfold in developing countries since 2000, including a fourfold expansion in Sub-Saharan Africa (see figure 2).

These changes in the mix of development resources have major implications for the future role of aid. Instead of directly financing the delivery of social services, aid should increasingly focus on catalyzing and testing new ideas, crowding in local and foreign investment, and promoting and supporting underfunded global public goods (e.g., energy, agricultural, and health technologies), which no single country has the incentive to finance alone.⁵ In short, global financial and political changes call for continuous adaptation and reforms in US foreign assistance programs, along with America’s role within traditional US-backed multilateral institutions.

At the same time, some poor countries—like Liberia and Afghanistan—will continue to rely upon foreign aid flows to address pressing needs, such as social services delivery, physical infrastructure, and job creation. Others will look to the United States for emergency relief and humanitarian services—as in post-earthquake Nepal and in the Syrian refugee camps. The next presidential administration will need to thoughtfully adjust the deployment of US aid, and of other development tools as well, to reflect these changing needs and dynamics.



Imperative for an Ambitious Global Prosperity and Security Strategy

These challenges *and* opportunities create an imperative for the next US president to advance an ambitious American strategy for promoting shared global prosperity and security. He or she will be building on a set of programs, policies, and reforms—particularly with respect to aid approaches initiated by the Bush and Obama administrations over the last 16 years. President Bush created the Millennium Challenge Corporation (MCC) and the President’s Emergency Plan for AIDS Relief (PEPFAR). President Obama launched new initiatives such as Power Africa and Feed the Future, which aim to leverage private investment with aid-based technical assistance and policy reforms in recipient countries.

The next president therefore has a sound basis for building a more ambitious strategy that employs more tools and extends beyond the traditional focus on grant-based aid. Of course, the next administration may well encounter a skeptical American public and a hesitant Congress when it comes to a broader and deeper development strategy. Most Americans think first and foremost about kitchen table issues, and conflate development with “foreign aid.” Sizable pluralities consistently state that the United States should mind its own business internationally.⁶ Very few Americans understand the Overseas Private Investment Corporation (OPIC), or the relevance of multilateral trade relations to opportunities for poor workers in Africa and Bangladesh, or the dynamics of the US economy that make more open immigration policies a win for both the United States and developing-world emigrants. On the other hand, young Americans in particular have a growing sense of connection with the broader world and appreciation that their well-being and security are directly tied to it. For instance, more than two-thirds of Americans believe that greater US involvement in the global economy opens up new markets and growth opportunities.⁷

The White House and the World—Practical Proposals for a Global Prosperity Agenda

Against this backdrop, we summarize a series of practical proposals for the next US president’s global development agenda. These are based on separate and detailed policy papers, each of which is supported by analysis and research produced at the Center for Global Development and other research institutions.⁸ These ideas are selective in scope and are not meant to be exhaustive. During the next presidential administration, there are bound to be new ideas and proposals as the world changes further

and the United States adapts its diplomatic, security, and development program tools. However, as a group, the proposals reflect a broad range of targeted, practical actions for initiating and adjusting policies that matter for developing countries and for America’s own long-run prosperity and security.

The policy proposals fall into three general categories:

1. Harnessing US business and trade advantages
2. Leading on global and regional development challenges that transcend borders
3. Ensuring US development institutions stay fit for purpose, and reinvigorating the US role in multilateral institutions

A focus on global development will require political leadership, not billions of dollars of additional US taxpayer resources. Most of the proposals focus on *policies*, not *programs* that require budgets. Several actually would reduce budget outlays while improving outcomes through modest reforms of existing programs and initiatives. We believe that each agenda item can secure broad, bipartisan support from the US Congress, the general public, and the business community.

1. Beyond Aid: Harnessing US Business and Trade Advantages

America’s greatest strengths—its \$17 trillion economy, innovative businesses, risk capital, and world-class research institutions—provide an unparalleled foundation for promoting global development objectives. The United States remains among the most innovative economies in the world, whether measured in terms of research and development (R&D) spending, new patents, or other metrics. It has a successful entrepreneurial culture that bridges both private and public priorities. The United States also has the deepest and most liquid financial markets in the world. How might the next US president harness these assets to raise living standards in the developing world while advancing US strategic interests? We outline four specific proposals:

Establish a US development finance corporation to encourage private investment in developing countries.

Existing US development finance programs, the largest of which is OPIC, cannot fully exploit growing demand for foreign direct investment in developing-country markets. Fragmented US government programs and



tools also often place US investors at a disadvantage compared with their European, Chinese, and other emerging-market peers that benefit from new or reformed investment promotion agencies. To address this, the US government should update OPIC's authorities, allocate sufficient staff resources, and consolidate and reform investment promotion tools that are spread across numerous US government agencies. Among our specific recommendations:

- Establish a full-service, self-sustaining US Development Finance Corporation that delivers development results, advances US foreign and commercial policy objectives, consolidates OPIC and other smaller related programs and facilities, and reduces the federal deficit through modest operating profits.

Manage immigration to help reduce poverty in the developing world.

Migration is one of the most potent development tools in the US government's policy toolkit. The evidence is incontrovertible: immigrants to the United States escape poverty at home and help their families and their countries with remittances (that now far exceed foreign aid in many low-income countries) and investments; immigration is good for the US economy as well. Contentious political debate over the appropriate amount of immigration need not obscure the opportunities for managing immigration to benefit immigrants and their families, the United States, and their home countries. A good example relates to better management of temporary migration. One recommendation is that the next US president:

- Work closely with Congress to negotiate a US-Mexico bilateral labor agreement that would regularize low-skilled labor mobility from Mexico to the United States, for the benefit of migrants and of US agricultural and other businesses.

Ensure US trade policies are development friendly.

The free flow of goods and services in a rules-based global trading system is a core US national interest and has been a key contributor to economic growth in the developing world for decades. For low-income countries in particular, US trade policy could contribute to development objectives more effectively. A key recommendation is that the next president:

- Make US unilateral preference programs meaningful for all of the world's least developed countries and

ensure that bilateral and plurilateral agreements to which the United States is a party are fully consistent with today's rules-based, multilateral trading system.

Put US technological leadership to work for development.

The United States, with its combination of leadership in basic science research, incentives for innovative applications, and venture capital, leads the world in the development of new technologies that have spurred growth and improved, indeed saved, lives throughout the world. The next administration can exploit these US assets more fully in the cause of global poverty reduction and development—by investing more at home in the R&D of global public goods such as new agricultural and clean energy technologies that are particularly relevant for developing countries. Another recommendation is:

- Sponsor new “advance market commitments” that would encourage US corporate investment in development-relevant clean energy, drought-resistant agricultural technologies, and new vaccines and drugs.

2. Leading on Global and Regional Development Challenges That Transcend Borders

The United States remains an essential actor for addressing many global and regional challenges, even with the rise of China and other emerging markets. In some cases, the US government is the only actor capable of marshaling the resources and technical know-how required to combat challenges that transcend national borders. This is most obvious in the case of crises; it is the United States that is best able to catalyze a global response and bring along other major powers to shift their prevailing policy stance. Historical examples include helping spawn the Green Revolution that dramatically reduced global hunger; incorporating former Communist bloc countries into the global rules-based marketplace after the fall of the Berlin Wall; and combatting the global AIDS epidemic. Here are our proposals to renew America's tradition of leadership on global and regional issues:

Promote tax, budget, and contract transparency at home and abroad.

Improving global governance and enforcing global rules and norms can help reduce corruption and inequality in developing countries. A necessary if not sufficient step is the sunshine requirement to reduce tax evasion of high-income individuals and corporations through globally agreed-upon rules by making related tax payments transparent. A key recommendation is:



- Join, and enforce at home, the OECD Common Reporting Standard for the international automatic exchange of tax information and help ensure that developing countries have meaningful access to that information.

Use new tools to further advance a women-and-girls development agenda.

Around the world, hundreds of millions of women are denied the right to work, to move, and to hold or manage property. Women are vulnerable to becoming stateless in the 60 countries that do not permit them to acquire, change, or retain nationality in the same way as men. Moreover, domestic violence—overwhelmingly against women—is the most common form of violence in the world. The United States can do more to address these problems, even given the cultural and political limits to change within many countries. One key recommendation is:

- Revise US migration and refugee policies first to clarify that women from countries where the right to free movement or employment is expressly and egregiously limited by law are potentially eligible for asylum and refugee status and, second, to provide a mechanism for stateless persons to obtain residency and eventually citizenship.

Focus on forests to minimize climate change.

The US political landscape may still, in early 2017, be sharply divided over the appropriate response to climate change and climatic volatility, whether at home or abroad. Yet at least one area exists that can command bipartisan support at home and is increasingly a priority in Brazil, Indonesia, and other developing countries whose forests are vulnerable to unsustainable commercial exploitation: *protecting those forests*. The next US president should significantly expand US support for market-based and public transfers to reduce deforestation. A key recommendation is:

- Provide political, financial, and technical support for “pay-for-performance” agreements under which tropical countries in the developing world receive private or public transfers for independently verified reductions in deforestation.

Fight Africa’s energy poverty.

In Sub-Saharan Africa, about 600 million people live without access to basic electricity. This energy poverty

has far-reaching and deadly consequences, affecting health, education, and economic outcomes. Under President Obama, the United States launched the Power Africa initiative, a multiyear effort to dramatically expand access to affordable and reliable electricity by catalyzing private investment and regulatory reforms. The next US president should build upon this solid foundation. One recommendation is:

- Request a multiyear congressional authorization with clear authorities to expand the Power Africa program and multiyear targets for adequate access using a realistic definition of access in terms of annual kilowatt-hours per person.

Deliver global public goods through multilateral action.

The United States is uniquely positioned to address a growing list of global challenges that pose risks to America and developing countries alike—such as health pandemics, peace and security, climate change, and global financial integrity. This includes providing greater public and private investment at home (as referenced above) and using its influence in the traditional multilateral institutions and programs as well as collaboration with new institutions, such as the AIIB. One recommendation is:

- Collaborate with emerging and advanced member states in the establishment of a new, well-capitalized window at the World Bank to support grant and other financing of underfunded global public goods—from the research, development, and diffusion of new public health, agriculture, and clean energy technologies to weather monitoring, disease surveillance, and public-private partnerships for cross-border infrastructure.

3. Ensuring US Development Institutions Stay Fit for Purpose, and Reinvigorating the US Role in Multilateral Institutions

To complement a reinvigorated approach to multilateralism, the next US president will want to ensure that America’s own key development institutions for delivering foreign assistance and encouraging US private investment remain fit for purpose, with the culture and capability to adjust and adapt to changing demands in the next decade. Key US development institutions include OPIC, the US Agency for International Development (USAID), and the MCC. Over the last decade, each has instituted noteworthy internal reforms. However, remaining limitations in their



authorities, instruments, and ability to work seamlessly with the two dozen other US agencies with overlapping development responsibilities constrain their impact and the overall effectiveness of US foreign assistance. The next US president should work closely with Congress to tackle these limitations head-on—at no additional direct cost to US taxpayers.

Institute a top-to-bottom USAID review.

Over the last 50 years, USAID has expanded to cover nearly every development challenge, stretching its operations over 125 countries and 36 different program areas. At the same time, the needs and priorities of aid-recipient countries have changed dramatically. Both the Bush and Obama administrations instituted key management, staffing, and program reforms at USAID. The start of a new administration is a good moment for USAID leadership to do a systematic evaluation of the agency's role and programmatic effectiveness, the first in nearly three decades. Our recommendations include:

- Implement a top-to-bottom review by USAID of its sector- and country-based activities based on USAID's comparative advantages compared to other grant aid agencies, alignment with recipient country priorities, and development effectiveness; and commit to implement changes based upon the findings of that review.

Protect and deepen the Millennium Challenge Corporation model.

The MCC is a relatively small agency, spending less than \$1 billion annually. Its singular mission—reducing poverty through economic growth—allows it to pursue development objectives in a highly targeted way. Its assistance goes to relatively well-governed countries, whose governments sponsor projects selected based on the basis of adequate economic returns. The MCC has become a recognized leader in transparency and is committed to independently evaluating more of its programs than any other development agency globally. The next administration should:

- Champion the agency's proven model of aid effectiveness in well-governed developing countries and work with Congress to apply its aid-effectiveness principles to other US development agencies, such as increasing the proportion of flexible funding that is not subject to congressional directives or administration initiatives.

Upgrade further US leadership on AIDS and related diseases.

Through PEPFAR and the Global Fund to Fight AIDS, Tuberculosis and Malaria, US efforts to combat AIDS globally have achieved historic progress over the last decade. However, achieving an AIDS-free generation will require greater in-country ownership with increased attention on HIV prevention. Absent this, the burden of HIV/AIDS in hard-hit, low-income countries will consume an ever-increasing share of national health spending, perpetuate dependency on foreign donors, and still leave untreated people living with AIDS, thereby indefinitely postponing the achievement of an AIDS-free generation. One among several recommendations is:

- Measure what matters—new infections and AIDS-related mortality—to achieve maximum value for spending through better targeting and alignment of financial support with countries' own financial commitments and progress on prevention and treatment.

Organize more impressive US global health efforts.

The United States has become the world's de facto first and biggest responder for tackling chronic global health challenges and crises, such as HIV/AIDS, malaria, and Ebola. Although the United States has the right combination of technical know-how, resources, and political support to lead others on global health challenges, US programs are stovepiped by disease, based on outdated models of engagement with recipient countries, and have sometimes suffered because of multiple and fragmented federal agency involvement in the face of crises. Among several proposals to take full advantage of US leadership and taxpayer money in global health is that the next president should:

- Appoint a White House global health coordinator with the mandate, budget alignment, and political support to enforce interagency collaboration.

Take the lead on outcome-based aid models.

US foreign aid has come under fire for failing to achieve measurable results while discouraging local initiative and innovation in getting results. A shift within US aid agencies away from input-driven models (e.g., training teachers and agricultural extension workers) toward financing verified outcomes (e.g., children's gains in learning or increased agricultural income) would both give ownership and responsibility for progress to



recipient countries and clarify for US taxpayers the link between funding and real progress on the ground. One proposal is:

- Establish a development impact fund at USAID and at the MCC to pilot outcome-based aid models with at least 10 percent of existing development agency programmatic budgets.

Revisit the US approach to foreign assistance in the Middle East and North Africa.

US strategic interests in the Middle East and North Africa are enormous and enduring. The United States has provided, and continues to provide, tremendous amounts of foreign assistance to the region. However, to secure our near- and long-term interests, US assistance strategies must respond to the tectonic changes confronting the region along with unmet popular demands for greater economic opportunity, impartial governments, and institutions that serve the needs of the people. Together with incorporating a stronger focus on reform, results, and responsiveness across all assistance programs, the next president should:

- Establish a \$1 billion Middle East and North Africa incentive fund focused on economic opportunity for ordinary citizens through financial backing of country-led regulatory, competition, and other reforms and on commitment by countries' governments to transparency and citizen engagement.

Leverage better US engagement in multilateral institutions and agencies.

US leadership in multilateral development institutions—such as the World Bank and regional development banks—is flagging, and US support for UN and other multilateral programs—from the World Health Organization to the new Green Climate Fund—is heavily constrained by the very small multilateral share of the foreign assistance budget. The development banks are rated as some of the most effective actors globally and provide clear US advantages in terms of geostrategic interests, cost-effectiveness, and results on the ground. UN and other agencies and programs such as the new Green Climate Fund can benefit from US support that is substantial enough to ensure influence, as in the case of the Global Fund to Fight AIDS, Tuberculosis and Malaria (as referenced above). The next president can reverse America's declining role in multilateral development programs of all types. One proposal is:

- Increase the multilateral share of the foreign assistance budget and institute a coherent interagency decision-making mechanism on multilateral funding levels; and reallocate scarce budgetary resources to more effective institutions on the basis of periodic multilateral aid reviews.

Conclusion

The next US president will inherit the responsibility to protect the American people and promote their prosperity. Global development policies necessarily will play a significant role in his or her ability to meet that charge. To do so, US development policy must go beyond the traditional focus on grant-based foreign aid—in a changing and increasingly multipolar world. The United States has notable strengths on which to call: its entrepreneurial and technological dominance, its relatively open trade and investment policies, and its nonpartisan business and civil society advocates for more transparent and development-friendly tax and climate policies. In this *White House and the World* series, we present more than a dozen concrete policy proposals that would more effectively exploit these US assets—at little additional cost to US taxpayers. Each of them can make a difference. Together, as part of a broader strategic vision of prosperity abroad as a foreign policy priority, they can deliver a more secure future both for Americans and for the world's most vulnerable people.



Notes

¹ The lack of any single agency outside the White House having an overall “development policy and strategy” mandate is a fundamental challenge. For additional information, see Sheila Herrling and Steve Radelet, “U.S. Foreign Assistance for the Twenty-first Century,” CGD Policy Brief (Washington: Center for Global Development, 2008) and Nancy Birdsall, “Why Global Development Matters and What the Next U.S. President Should Do About It,” CGD Policy Brief (Washington: Center for Global Development, 2008).

² Pew Research Center, Spring 2014 Global Attitudes survey. For additional details, see www.pewglobal.org/2014/07/14/chapter-3-balance-of-power-u-s-vs-china/.

³ Pew Research Center, “As New Dangers Loom, More Think the U.S. Does ‘Too Little’ to Solve World Problems,” August 28, 2014, www.people-press.org/2014/08/28/as-new-dangers-loom-more-think-the-u-s-does-too-little-to-solve-world-problems/.

⁴ Pew Research Center, “Remittance Flows Worldwide in 2012,” February 20, 2014, www.pewsocialtrends.org/2014/02/20/remittance-map/.

⁵ The Global Development Council, an external advisory body to the Obama White House, has recommended a series of reforms and initiatives—both incremental and systemic in nature—that would advance US efforts in each of these areas. For additional information, see “Beyond Business As Usual,” President’s Global Development Council Report, April 14, 2014, www.usaid.gov/sites/default/files/gdc_memo_for_the_president_final.pdf, and “Modernizing Development,” President’s Global Development Council Report, May 15, 2015, www.usaid.gov/sites/default/files/documents/1872/GlobalDevelopmentCouncilReportModernizingDevelopment.pdf.

⁶ Pew Research Center, “Public Sees U.S. Power Declining as Support for Global Engagement Slips,” December 3, 2013, <http://www.people-press.org/2013/12/03/public-sees-u-s-power-declining-as-support-for-global-engagement-slips/>.

⁷ Ibid.

⁸ These policy papers contain citations to the relevant literature and source materials that underpin each of the practical ideas.

⁹ Advance Market Commitment Working Group, *Making Markets for Vaccines: Ideas to Action* (Washington: Center for Global Development, 2005).

