



# Our Shared Opportunity: A Vision for Global Prosperity

**Daniel F. Runde** Director, Project on U.S. Leadership in Development, CSIS

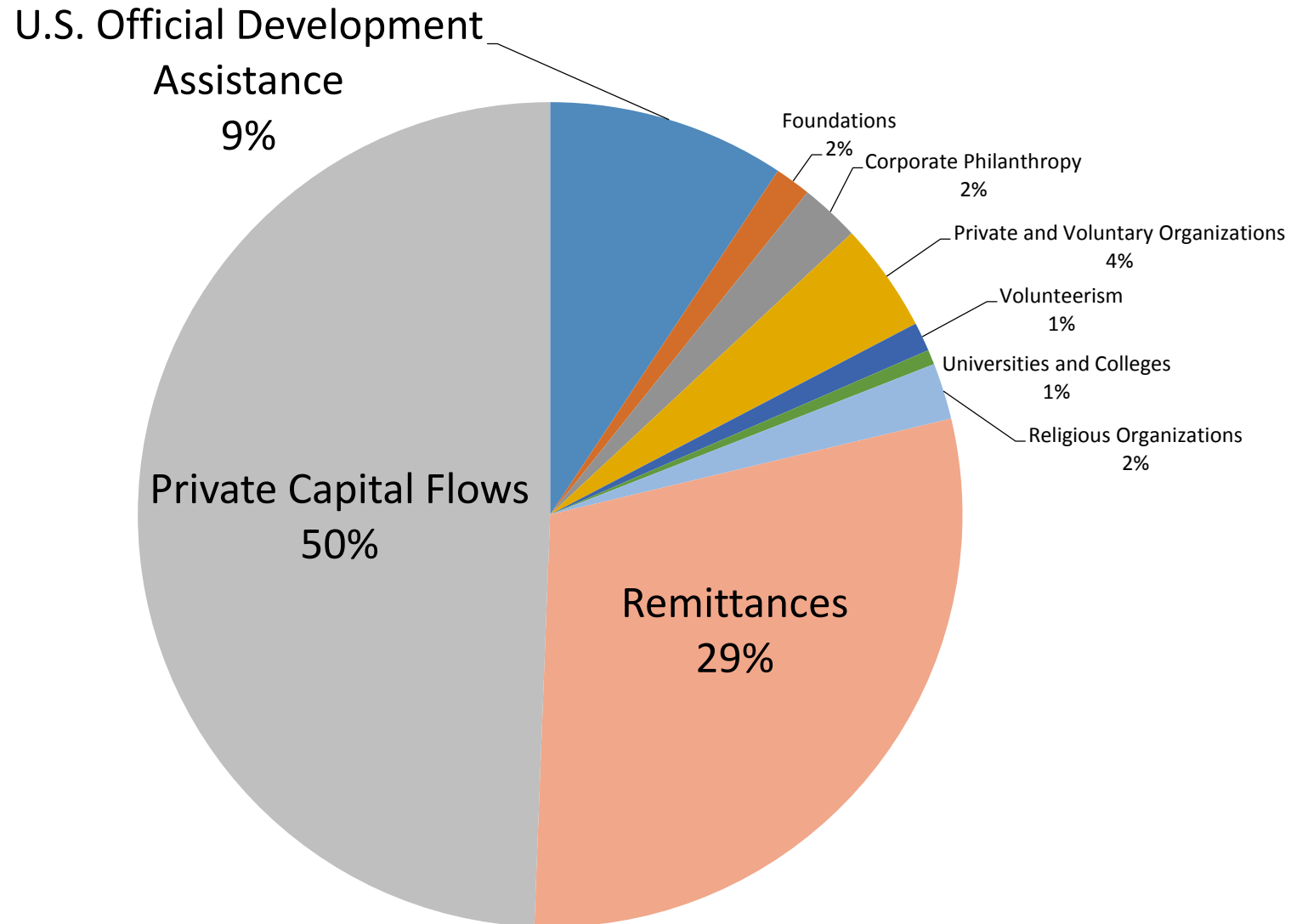
**Anna Saito Carson** Deputy Director for Outreach, Project on U.S. Leadership in Development, CSIS

*July 30, 2015*

# Changed World

- Since 1980, over one billion people around the world have ascended from poverty.
- Since 2000, nearly 50 developing countries have seen an average of 5 percent GDP growth per year.
- In 1960, public capital accounted for 71 percent of financial flows from the United States to the developing world. Today it stands at only 9 percent.

# U.S. Economic Engagement with Developing Countries, 2010



# Changed World

- Eighteen of our top twenty trading partners were once major recipients of U.S. development assistance.
- Since 2003, foreign direct investment helped create 1.6 million new jobs in Africa alone.
- In a study of 17 emerging African countries, greater political stability and market reforms since 1996 led to quadruple FDI, over 100 percent increased trade, and 50 percent per capita income growth (Radelet, 2010).
- The size of the “global middle class” will increase from 1.8 billion in 2009 to 3.2 billion by 2020 and 4.9 billion by 2030.

# Shifting Development Landscape

- Emerging nations as new donors, private foundations, private actors, and nongovernmental organizations are now substantial forces in development.
- Increased use of and innovation in private development finance along with changes in how businesses operate have made for-profit private-sector actors, NGOs, foundations, and diaspora communities into major stakeholders in international development and the global economy.

# Power of the Private Sector

- Multinational companies promote development for greater market access, improved operational efficiency, and a more secure operating environment.
- Businesses support development by building supply chains that buy goods and services locally, instilling good management practices and global standards, developing a local workforce, and strengthening and streamlining the partnership process.

# Power of the Private Sector

- SABMiller is the single largest employer in South Sudan, and one of the major contributors to the economy. One of their goals in the region is to bring 2,000 local smallholder farmers into SABMiller's supply chain in the next few years.
- Rio Tinto works with Transparency International, a global civil society organization, in the fight against bribery and corruption. They were one of the original corporate members of the steering committee which drafted Transparency International's Business Principles for Countering Bribery and continue to participate in that committee.

# Power of the Private Sector

- Unilever, Nestlé, and Danone founded the Sustainable Agricultural Initiative in 2002, which offers a platform for development in areas of public concern such as the quality and safety of produce, the well being of rural communities, animal welfare, and soil, water, air, energy and biodiversity aspects.
- In 2006, the Intel microprocessor facility in Costa Rica was responsible for 20% of Costa Rican exports and 4.9% of the country's GDP. Furthermore, the employees have actively developed and executed community initiatives that focus on education, technology, and environmental awareness.



# The Role of NGOs and Philanthropies

- The growth of foundations' financial and intellectual capacity means they now occupy a prominent seat at the development table.
- The Bill & Melinda Gates Foundation spent \$2.3 billion in 2010 on global health and agricultural development, compared to the \$2.6 billion the U.S. spends on development in all countries except Afghanistan and Pakistan.
- NGOs are increasingly sophisticated and far-reaching, bringing extensive advocacy and policy skills to the mix.

# Entrepreneurship and the Private Sector

- The Gallup World Poll found that in 2011, 29 percent of men aged 25-35 in Africa plan to start a business in the next 12 months.
- The business community can provide a great deal of assistance just through its normal business operations. Coca Cola, for example, trains women entrepreneurs and business owners to serve as distributors and marketers for its products.



“Aid is just a stop-gap. Commerce [and] entrepreneurial capitalism takes more people out of poverty than aid... In dealing with poverty here and around the world, welfare and foreign aid are a Band-Aid. Free enterprise is a cure... Entrepreneurship is the most sure way of development.”

-Bono, Irish rock singer and activist

“The private sector has an essential role to play if we are to end poverty by 2030. Over the past two decades, poverty reduction has been driven by the creation of millions of new jobs -- and 90 percent of new jobs come from the private sector.”

-Jim Yong Kim, President of the  
World Bank



“How do you transform the economy? You've got to provide the basic infrastructure for people to transform their own lives... In the post-2015 effort, we have to move away from looking at traditional sources of finance. We can't be dependent on donors.”

-Ngozi Okonjo-Iweala, finance minister  
of Nigeria





“Where possible, priority should be given to leveraging private sector investment to support economic growth and job creation. Ultimately, it will be economic growth not official development assistance that will determine how quickly a country makes the transition out of poverty.”

-Julie Bishop

“The private sector believes in getting things done. And it is good at getting things done. That is just one of the many reasons why we absolutely, absolutely need the private sector in partnership with civil society and government involved in the Post-15 agenda and why they can make enormous contributions to this shared agenda.”

-John Podesta, former White House Chief of Staff and member of the High-Level Panel on the Post-2015 Development Agenda



# U.S. Donor Profile

- U.S. ODA has grown rapidly since the late 1990s.
- Almost 90% of U.S. ODA is given bilaterally.
- ODA per capita was U.S. \$99 in 2011; ODA was 0.20% of GNI.
- A large amount of ODA goes to countries with high poverty rates, although the U.S. also has strong partnerships with a few countries with low proportional poverty rates.

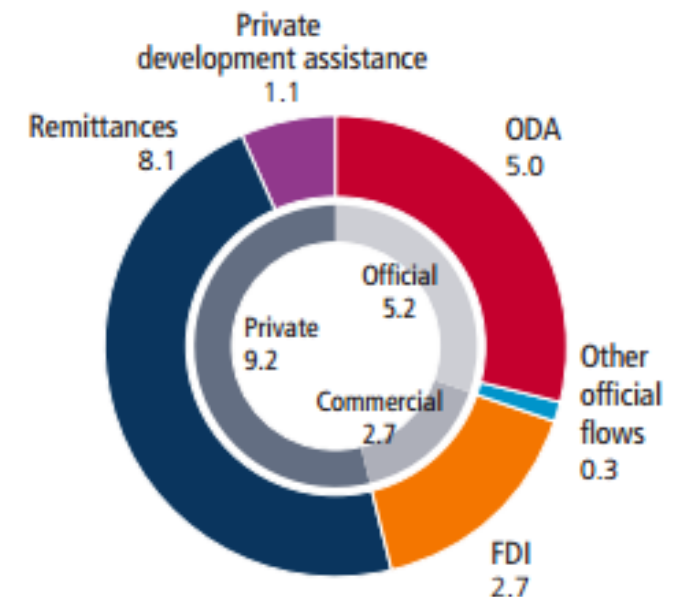


# Australia Donor Profile

- Aid levels have more than doubled since 2000.
- Over 88% of total ODA is bilateral, the second highest among DAC donors.
- ODA per capita was US\$223 in 2011; ODA was 0.34% of GNI.
- Almost 90% of bilateral aid goes to countries with more than 1 million poor people; less than half goes to countries with above-average poverty rates.

**Remittances account for almost half of outflows, ODA another third**

US\$ billions, 2011



# Executive Council on Development

- In 2012, CSIS convened the Executive Council on Development. The Council was co-chaired by:
  - Thomas Daschle, former U.S. Senate majority leader (D-SD)
  - Carly Fiorina, chairman, Good360, and former chairman and CEO, Hewlett-Packard
  - Vin Weber, former U.S. representative (R-MN)
  - Thomas Pritzker, executive chairman, Hyatt Hotels Corporation
  - Henrietta Fore, former administrator, U.S. Agency for International Development
- Over the course of 2012, the Council met and ultimately produced the report, *Our Shared Opportunity: A Vision for Global Prosperity*.

Recommendation One:

# Make Broad-Based Growth the Central Principle of Development Policy

- Leaders of development, diplomatic, and economics agencies should prioritize broad-based growth as a central pillar of development.
- Develop a constituency for broad-based growth through lawmakers, the public, and business leaders.
- Shift financial resources to support economic growth activities.
- Promote entrepreneurship to reduce poverty.

Recommendation Two:

## Align Development Instruments with the Private Sector

- Set specific targets for allocating development funds to partnerships.
- Streamline and simplify private-sector partnering.
- Coordinate early with private partners and plan in-country.
- Leverage business practices, supply chains, and training.

Recommendation Three:

## Promote Trade and Investment Using Existing but Underutilized Tools

- Change the mindset on investment in developing countries.
- Invest in growing countries committed to business reforms.
- Reenergize the trade agenda with developing countries by using the full spectrum of trade tools.
- Strengthen development finance practices that can kick-start private investment.

# Challenges and opportunities in public-private partnerships

- Despite the increasing popularity of partnerships, the public sector's capacity for the public sector to partner lags behind.
- Governments should make partnerships the starting point for development projects and programming in a variety of circumstances, including most work in middle-income countries, countries that are graduating from receiving foreign assistance, and sectors such as supply chain development and economic growth.

# G20 Development Priorities

- Private investment in infrastructure
  - Major focus on LDCs, Project preparation facilities are key
- Domestic resource mobilization
  - Base erosion, profit shifting, avoiding double non-taxation, trade capacity building
- Financial inclusion
  - Innovation and emerging technologies
  - Women's economic empowerment
  - Engagement with the private sector
  - Remittances

# Australia's future development opportunities

- Focus on the trade/development nexus
- Engagement with the private sector and building strong PPPs
- Paying for Development: Domestic Resource Mobilization
- Managing oil, gas, and mining revenues



“ODA is but one part of the development equation. A far greater role lies within the development of the private economy. Micro-enterprises using micro-credit. Creating the conditions necessary for increased domestic and foreign investment flows. Drawing wherever possible on private investment markets. That in turn means good governance, transparent laws and functional infrastructure.”

-Kevin Rudd





“The challenge, everywhere, is to promote sustainable, private sector-led growth and employment – and to avoid government-knows-best action for action’s sake.”

-Tony Abbott