

Lifting US aid out of the past

Small numbers, big story

The Obama administration faces the unenviable task of persuading sceptics of the need for a revamped and relevant foreign assistance policy. But is the administration's message falling on deaf ears?

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In a bid to fulfil his campaign promise to elevate America's commitment to international aid and development, President Barack Obama recently asked Congress for a 3% increase in the

foreign assistance budget for the fiscal year 2011. Occasionally, small numbers tell a big story. Especially when they forecast the reversal of a critical historical trend in the spending habits of the world's largest economy.

In absolute terms, the United States remains the world's largest provider of economic assistance dollars, with a proposed 2011 budget of US\$36.4 billion for overall development-related spending, to support programmes in 153 countries. In relative terms, however, the share of America's budget spending on global aid programmes has shrunk dramatically over the past half century, sinking below those of most Western European countries. Today, America ranks seventeenth, i.e. near the bottom of the Commitment to Development Index of the world's 22 richest economies.

What went down may go up again

This slide down the scale was accentuated by the end of the Cold War, when the implosion of the Soviet Union suddenly left the United States in a position to reconsider the ideological rationale behind its foreign assistance strategy. For nearly half a century, America's economic assistance programmes had been shaped by one overarching political objective: to contain Soviet influence and roll back communism throughout the world.

Stripped of its Cold War rationale, the United States suddenly found it easier to assess the true impact of many of

summary

- Originally shaped by Cold War ideology, US foreign assistance policy is now driven by a narrow vision of the country's global security objectives, which has resulted in a large share of earmarked funds being allocated to just five countries.
- US policy needs to be radically reassessed and realigned to address broader needs such as climate change and its impact on poverty and migration, the food crisis and global health challenges.
- The creation of a centrally managed agency and a cabinet-level post to oversee US foreign assistance programmes would greatly increase efficiency and accountability.
- The Obama administration must sell the concept of foreign assistance to sceptical taxpayers and partisan critics if it is to succeed in demonstrating America's commitment to global development.

its aid programmes. It found that much of the money it had spent propping up anti-communist dictatorships in Central America, or rebel groups like UNITA in Angola, had done more to inflate the Swiss bank accounts of corrupt opportunists than to boost sustainable economic development. On the positive side, this awakening sparked a renewed effort to tie future aid to measurable efforts to promote democracy.

Ironically, America's new emphasis on good governance abroad was offset by less than exemplary governance at home. Two decades since the fall of the Berlin Wall, Washington has yet to replace the Cold War-inspired legislation that has governed its foreign assistance strategy with an updated policy framework. Until this failure is addressed, it will continue to hamper the overall coherence of America's approach to foreign aid.

The United States currently gives roughly as much to its top-five aid recipients – Iraq, Afghanistan, Egypt, Israel and Colombia – as it does to other developing countries. The only country that is set to join this exclusive club is Pakistan,

By **Michael Soussan**, adjunct assistant professor of international relations at New York University's Center for Global Affairs.



Reuters/Larry Downing

which has become a reluctant host to much of the Taliban's surviving leadership structure. This stark imbalance is not driven by any assessment of actual needs as they exist around the globe today but by a narrow conception of America's global security objectives.

The US Agency for International Development (USAID), created by John F. Kennedy in 1961, has never denied the role US national interests play in shaping its resource allocation strategy. In the agency's own words, 'US foreign assistance has always had the twofold purpose of furthering America's foreign policy interests in expanding democracy and free markets while improving the lives of the citizens of the developing world'. From the postwar Marshall Plan to this day, American assistance dollars have been closely pegged to the country's foreign military deployments and the perceived hierarchy of threats to its national security interests.

Half of America's aid dollars now flow to only a few countries, some of which (notably Iraq and Afghanistan) remain notoriously corrupt despite their recent forays into

democratic governance. Not surprisingly, this has done little to convince US taxpayers to change their minds about the overall effectiveness of foreign aid programmes. According to a Pew Research poll in June 2009, foreign aid was the most unpopular item in the national budget, with 33% of Americans expressing a desire to see it reduced. Therein lies the key challenge now facing the Obama administration.

The political landscape

The US Foreign Assistance Act of 1961, which was designed, in Kennedy's words, to help 'countries that are on the rim of the communist world and under direct attack', is incompatible with twenty-first-century needs. Critics of US aid policy argue that it needs to be abandoned in favour of new legislation that focuses on issues like terrorism, climate change and its impact on poverty and migration, the food crisis and global health challenges.

It may, of course, be wildly optimistic to expect a country that had such difficulty reforming its own healthcare system



to act decisively on the global health front. Nonetheless, these new priorities have begun to influence thinking in Washington in recent years and have made their way into Obama's 2011 budget proposal to Congress. If the proposal survives the increasingly partisan mood on Capitol Hill, it may set the stage for wider reforms on the foreign assistance policy front. And even if some of Obama's initiatives are opposed, they will not have been submitted in vain if they manage to spark a renewed (and long overdue) public debate.

The 'good news', according to Todd Moss of the Center for Global Development, a Washington think-tank, is that 'the new international affairs budget, by being placed within the broader national security budget, is being exempted from the freeze on discretionary spending', which previously shackled US aid programmes. The bulk of the increases will go to Afghanistan, Pakistan and Iraq, three 'frontline states', as Moss calls them, that already account for about one-fifth of the total US foreign operations budget. 'This leaves about US\$2.5 billion in new money to be spread across anything new the administration wants to do'.

Most of it is expected to go to food security initiatives and modest increases in global health investments and climate change, while an additional US\$900 million will go to increase America's contribution to international financial institutions. Moss warns that Obama's budget proposal remains modest, and may only 'add to the growing impatience among *developmentistas* who had been expecting so much more from an administration that had made such lofty promises about U.S. leadership in the fight against global poverty'.

True enough, the US president barely mentioned foreign aid and development at all in his first address to Congress in January 2010. It also took his administration over a year to appoint a new chief for USAID. At the same time, pressure is growing within conservative circles to promote new, across-the-board cuts in US foreign aid. The notion that

America, the single largest money borrower in the world, can ill afford to send money abroad at a time when its own economy is at risk, is not without resonance with American voters in the current climate. Indeed, for now the best way for Obama to prioritize development assistance may be to move his agenda forward a few small steps at a time.

Selling foreign assistance

If the Obama administration really wants to improve the overall coherence and effectiveness of its foreign spending, it will need to find new arguments to convince a sceptical American public. This, in turn, will require an honest assessment of the shortcomings of America's current foreign assistance framework.

For inspiration, the White House may wish to turn to a milestone 2008 report by the Modernizing Foreign Assistance Network (often referred to as the Wye River Consensus Group), an umbrella organization whose members include some of the most prominent thinkers and professionals in the development community. Indeed, their assessment pulls no punches.

According to the report, US foreign assistance is allocated to 24 government agencies and 50 programmes, many of which have similar functions. This means that, unlike, say, Sweden or Denmark, where international aid is managed centrally by foreign ministries, the US State Department is dependent on a myriad of agencies that report to various departments to execute aid programmes. The group of experts also laments the fact that in 'the executive branch, there is no single person, office or department with a mandate to coordinate these programmes, promote policy alignment or, importantly, to be accountable for the efficient and effective expenditure of taxpayer resources'. White House leadership, they say, is clearly needed.

Is this just a polite way of saying that current US aid organizations perform with an alarming lack of transparency, effectiveness and efficiency? In Iraq alone, the USAID-led reconstruction effort lost track of nearly US\$8.8 billion. Stuart W. Bowen, director of the Office of the Special Inspector General for Iraq Reconstruction, notes that the Coalition Provisional Authority 'did not establish or implement sufficient managerial, financial and contractual controls to ensure that funds were used in a transparent manner'. Ironically, this happened at the very same time that the US Congress was investigating massive fraud under the UN Oil-for-Food programme, from which the US\$8.8 billion in question had been transferred in the first place.

The Wye River Consensus Group argues that the best way to improve the accountability of US foreign assistance would be to establish a cabinet-level post to oversee the implementation of all US aid programmes and help lead an effort to redraft the Foreign Assistance Act from scratch so that it better reflects contemporary challenges.

Thus far, the White House has remained shy about adopting recommendations from its think-tank community. But in a speech on 10 January 2010, US Secretary of State Hillary Clinton signalled that she had got the message about

Priority actions for modernizing US foreign assistance

According to the Wye River Consensus Group, the organization, policies and practices of US foreign assistance must be fundamentally overhauled along the following lines:

- Develop a national strategy for global development
- Elevate global development as a national interest priority
- Create a cabinet-level post to oversee all development assistance
- Reach a 'grand bargain' between the executive branch and Congress on management authorities, and plan, design and enact a new Foreign Assistance Act
- Streamline the organizational structure and improve organizational capacity by creating a cabinet-level department for global development
- Rebuild human resource capacity and strengthen monitoring and evaluation
- Increase funding for and accountability of foreign assistance

the need both to reform and raise the profile of US foreign assistance. She also outlined her '3D' strategy, centred on Development, Diplomacy and Defence. One might conclude that she is proposing a massive reallocation of money, given the stark imbalance between US defence and development budgets. Not so, we learned from Obama's recent budget proposal, or, at least, not yet.

But some analysts, like Sarah Jane Staats of the Center for Global Development, have opted to put a positive spin on the new proposals. 'Is this a development-friendly budget? Yes. Does it elevate development alongside diplomacy and defence in a national security framework? Yes. Was the development community hoping for more? Of course. But in my mind, the fact that the international affairs budget wasn't thrown to the wayside and is instead presented as part of critical national security spending and gets a modest increase is significant.'

Questions remain about how Clinton's new objectives will be implemented in practice, but at least her ambitious agenda stems from a clearly articulated vision.

As she shared her rationale for elevating development to a central pillar of US foreign policy, Clinton said: 'We cannot stop terrorism or defeat the ideologies of violent extremism when [...] young people see a future with no jobs, no hope and no way ever to catch up to the developed world. We cannot build a stable global economy when hundreds of millions of workers and families find themselves on the wrong side of globalization, cut off from markets and out of reach of modern technologies.'

While such language does a good job of massaging the ears of professionals within the development community, what kind of real appeal does it have to the average US taxpayer? Will it make sense to Joe the Plumber?

Charitable donations

The recent declining trend in US foreign development commitments is not, as some international critics have charged, a function of America's increasing stinginess. Americans give around US\$300 billion to charities per year. It would take three Frenchmen, seven Germans or 14 Italians to equal the charitable donations of one American. Even as federal foreign assistance declined as a proportion of GDP, an increasing number of US charities and foundations became active internationally. Web-based charities have capitalized on the surge in public interest for 'do-it-yourself' programmes, which allow individual citizens to invest directly in microfinance enterprises.

Wealthy individual American donors, like Bill and Melinda Gates, have radically altered expectations of what private foundations can contribute in support of global health programmes. At this year's World Economic Forum in Davos, Gates announced his intention to invest US\$10 billion in the fight against a number of diseases such as AIDS, tuberculosis, rotavirus and pneumonia over the next 10 years.

In addition to pouring previously unheard of sums of cash into the humanitarian sector, foundations such as the Gates's



Rear Admiral Gregory Smith and Denise Herbol, deputy director of USAID, at a press conference in Baghdad, January 2008.

are pushing through innovative benchmarks for project evaluation and impact assessment. They do away with much of the obtuse bureaucratic language that has done so much to confuse the public's understanding of what many international organizations actually manage to achieve.

Private foundations have also become increasingly influential in setting the international agenda. Ambassadors from the world of entertainment have a way of channelling public attention to issues that might have taken diplomats and government bureaucrats years to rally attention for on their own. In Darfur, it took the UN system nearly nine months to sound a real alarm bell after the systematic killings began in earnest in 2003. Once George Clooney hitched a ride to nearby Chad with *The New York Times*' Nicholas Kristof, the Save Darfur movement in the United States quickly gained public momentum.

Pragmatism first

Since Obama took office, the administration has been hard pressed to manage the public's expectations about what can reasonably be achieved during his first term. The development community appears moderately encouraged by Obama's first budget proposal to Congress, and by Clinton's promising rhetoric. Both point to a genuine desire by the administration to elevate America's commitment to global development.

As the competition to sway the administration on this critical issue gains momentum in coming months, the development community would do well to remember that Obama's approach to foreign policy to date has been driven less by ideology than by pragmatism. In this regard, the ideological *developmentistas* may need to revise their own arguments to match Obama's avowed pragmatism before they can count on him to champion real changes they can believe in on the national stage. ■

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