
Built without a Blueprint

By

Rochelle L. Stanfield

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Foreign Assistance is a house built by Jack and Lyndon and Dick and Jerry and Jimmy and Ron.

Each of the Presidents over the past 28 years added on a room or a whole wing, often aided by Congressional leaders who initiated the remodeling, none of whom tore down the obsolete kitchen or the nonfunctioning bath before erecting a new one.

“The rooms have been divided up so small, you can't lie down and sleep in them,” said Alan Woods, administrator of the Agency for International Development (AID), the autonomous unit in the State Department that operates most U.S. foreign [economic] assistance programs. “The kitchen has been remodeled so many times, its got all the right equipment, but you can't turn around in it. At this point in history, the [1961] Foreign Assistance Act is so burdened by so many authorities, it really needs a new house.”

There's general agreement in Congress, among private volunteer organizations, and among academics that the current foreign assistance program is uninhabitable. But there's no consensus on whether to level and rebuild it, restore it, or remodel it.

And those who want a new house can't agree on whether it should be a colonial, a row house, or a rambler. Woods himself recently issued a report criticizing the current approach to disbursing U.S. development aid around the world but offered no recommendations for change.

The lack of consensus has blocked substantial changes in foreign aid authorizations since 1973. The adjustments that have gone through have been secreted in appropriations bills or continuing resolutions.

The program, which costs about \$15 billion a year and involves substantial efforts in 90 countries, suffers both bureaucratic and programmatic encumbrances. The Bush Administration and some Members of Congress would like to streamline the paperwork, but such talk raises fears among church groups, environmental organizations, population-planning interests, and other private deliverers of assistance that count on grants and contracts from AID.

Government and nongovernment foreign-aid practitioners say they are disappointed with the current record of achievement and want to change the substance and direction of the program.

A reason that the development programs appear to have failed is that they are measured against truly great achievements of the past, such as the Marshall Plan that followed World War II. Development experts, however, insist that the Marshall Plan is not a reasonable model.

The Marshall Plan “was not a development effort; it was a redevelopment activity,” Woods said. “What the Europeans and Japanese really needed after the war was capital. They had the history, the infrastructure, an educated population,” institutions often absent in today's recipient nations.

Another complaint is that few countries have graduated from foreign assistance in recent years. Many development specialists attribute this dependency to the shaky international economy and debt problem rather than the failure of specific development projects.

Foreign aid in the Marshall Plan days was relatively straightforward: it provided capital for war-shattered countries to use to get back on their feet, which created markets for U.S. goods, and avoided the kind of economic chaos that can lead to Communist takeovers.

The same premise still governs U.S. foreign aid: an assumption that fostering economic growth and political stability overseas is in the economic, political, and strategic interests of the United States.

But since the creation of AID under the Foreign Assistance Act, the needs of aid recipients have changed. As the U.S.-dominated postwar world has evolved into multilateralism, decision makers have been confronting different notions of how to help needy countries and of what constitutes U.S. interests. And Congress has added objectives and purposes to the statute without deleting the old ones; it has grafted new strategic-based assistance onto old development aid programs.

“At the request of every Administration, Congress added more objectives,” recalled Gerald E. Connolly, who recently left the Senate Foreign Relations Committee staff to become director of policy programs at SRI International, a consulting firm in Arlington VA. “We didn't repeal the laws that were on the books before because we could never have built a consensus to do that.”

When an Administration didn't implement the program in a way that suited the Congressional authors, Congress added reporting and notification requirements. “You've got a system today that is basically unworkable and increasingly irrelevant because you have so many conditions and so many earmarks [amounts set aside for specific countries], and so many functional accounts, all of which are put in for the purpose of accountability,” said Rep. Lee H. Hamilton, D-IN, who chairs the Foreign Affairs Committee task force that spent a year investigating the need for foreign-aid reform. “But we have written so much accountability into the law that we don't have any accountability, or at least limited accountability.”

The task force produced a 300-page draft of legislation to rewrite the 1961 act and streamline foreign aid. Senator Nancy Landon Kassebaum, R-KS, has introduced a similar, though narrower, bill. A coalition of private voluntary organizations, dissatisfied with the Hamilton and Kassebaum approaches, has come up with its own version.

Whether the enthusiasm generated by Woods, Hamilton, and a handful of independent critics can evolve into a presidential signature on a new foreign aid statute is questionable. Foreign Affairs Committee chairman Dante B. Fascell, D-FL, said he wants to proceed, and Senate Foreign Relations Committee chairman Claiborne Pell, D-RI, has announced plans for hearings. But no broader push for reform appears imminent.

But presidential leadership will be crucial, and the Bush Administration has yet to endorse anything, though Secretary of State James A. Baker III said at a hearing on this year's foreign aid appropriation that he is eager to work with Congress to remove many of the earmarks.

Still, some development experts are optimistic. “We seem to be in one of those periods of American public policy where lots of different people from different perspectives for different reasons have arrived at a consensus that current policies no longer conform with realities,” said John W. Sewell, president of the Overseas Development Council, a Washington organization that

researches Third World development. "Something can happen, but it's the Administration's responsibility."

Others are less sanguine. "I don't think there is a critical mass for change yet," Connolly said. "People say the program isn't working. Well some things work and some things don't. I think we need more specificity. I don't think the evidence of the case has been made strongly enough to get people excited enough to vote for change."

CROSSING CATEGORIES

If a consensus for any change exists, it is for statutory streamlining. Even if members of the private voluntary community are hesitant about some aspects of a grand overhaul of foreign aid, outspoken members of the Administration and Congress agree on the need for a legislative rewrite.

"Both the [foreign aid] authorizing committee in the House and the Administration are saying, 'Tinkering is not going to work. We've got to start over,'" said Ernest H. Preeg, former AID chief economist and now a senior fellow at the Center for Strategic and International Studies (CSIS) in Washington. "In effect, both sides have burned their ships the way [Spanish explorer Hernan] Cortez did, so there would be no turning back. This is quite unique and presents the biggest opportunity in the last 15-20 years."

Nearly three decades of legislative accretion have burdened the foreign assistance statute with line after line of objectives, ambiguous categories of aid, earmarks for countries, set-asides for select functions, and a host of reporting and paperwork requirements.

The law now lists 33 objectives; AID documents expand these into 75 priorities.

That's partly because of changing notions of how to achieve development in the Third World. A 1960s' focus on infrastructure gave way in the 1970s to meeting basic human needs. This was overtaken in the 1980s by efforts to encourage the private sector in recipient countries and to pressure governments to make macroeconomic policy reforms. Also in the 1980s, growing recognition of global issues such as environmental degradation has complicated much of foreign-aid planning.

Hamilton's draft rewrite would boil the objectives down to four: fostering economic growth, sustaining the environment, alleviating poverty, and promoting democratic and economic pluralism. "I think that they are broad enough to include the specific concerns some [critics] have expressed," Hamilton said. "I don't know whether we've picked the right four. But we have 33 objectives in the present foreign aid bill, and that is too many. When you have that many objectives, you probably don't have any objectives." Hamilton said he is open to suggestions on goals.

Some private voluntary organizations would like to see them focused even more. Larry Minear, a representative for development policy in the Washington offices of Church World Services/Lutheran World Relief, has testified that encouraging pluralism should be the primary objective.

"From our perspective," he said, "the major problem with foreign aid is that it does not effectively facilitate the efforts of people in developing countries to become more self-reliant. The reason it doesn't do that is because facilitating self-reliance is only one of a number of objectives. The remedy we would like to see is a clear projection of this objective as the controlling rationale for providing humanitarian and development assistance."

The existence of multiple objectives brings with it ambiguity among the aid categories. Over the years, political and strategic assistance has been grafted onto the foreign aid programs, such as compensation to Israel and Egypt for signing the Camp David Accords, payments to poorer NATO countries and the Philippines for accommodating military bases, and controversial support to encourage democracy in Central America. In the process, the add-ons have muddied distinctions between political aid and development assistance.

This fiscal year, about 36 percent of the \$15 billion program is going for military assistance, 16 percent for development aid, 10 percent for food aid, and another 10 percent for the U.S. contribution to the multilateral development agencies such as the World Bank. Although some development and food aid goes to countries in return for use of military bases, those divisions are fairly straightforward.

The real ambiguity is in the Economic Support Fund (ESF), which gets 24 percent of the AID budget. The idea behind economic support is to provide fast, flexible cash or commodities to help bring economic or political stability to a country, for example, to meet a balance-of-payments deficit. In fact, it gives the Secretary of State a kitty for political and strategic use.

Some of this money goes for development projects. Israel and Egypt are the biggest ESF recipients. Israel get a check at the beginning of the fiscal year; Egypt gets help on dozens of development projects, including a massive effort to rebuild the Alexandria and Cairo sewer systems. [Editor's note. Since FY 1985, Israel and Egypt have received \$1,200 million and \$815 million, respectively, in annual ESF appropriations.]

Few critics of the program question the need for an ESF, but they say that lumping it together with other foreign assistance hinders efficient administration of the aid and confuses recipients.

"In Indiana political terms, we call ESF 'walking-around money,' money we hand out to another government to be used for whatever purposes they want," Hamilton said. "Now, the United States has very broad political, strategic, and military interests around the world, and some ESF money is certainly appropriate. I don't quarrel with that. What we're saying is draw a clear distinction between development aid and economic support money. Today, that is not the case."

CONTRADICTORY GOALS

The development experts criticize the use of political aid for development. "You are trying to satisfy two contradictory goals," said Christine E. Contee, an Overseas Development Council fellow. Because the aid is given for political reasons, she said, "you can't use the ultimate weapon, which is the withdrawal of aid on development grounds."

Another problem is that this money often is given in large quantities with the expectation that the recipients will put it to work quickly. "You've got to shoehorn \$800 million each year to Egypt because the Egyptians are sitting there saying the total better be \$800 million," Sewell said. "It's very hard to program \$800 million of development projects each year. That doesn't necessarily get you good development."

Congress has restricted the Administration's flexibility in using foreign assistance by earmarking accounts for particular countries and setting aside minimums to be used on specific projects.

This fiscal year, 49 percent of development aid, 92 percent of military aid, and 98 percent of the ESF is earmarked for particular countries. Almost the entire ESF account goes to Israel,

Egypt, The Philippines, Pakistan, four Central American countries, Turkey, and Portugal. (See Table 1.)

| | |
|----------------------------|------------------------|
| Israel | \$3,000 |
| Egypt | 2,403 |
| Pakistan | 581 |
| Turkey | 564 |
| Philippines | 479 |
| El Salvador | 395 |
| Greece | 351 |
| Honduras | 179 |
| Bangladesh | 162 |
| Guatemala | 153 |
| Portugal | 153 |
| Morocco | <u>144</u> |
| Subtotal | \$8,564 |
| Remaining 80+ Countries | <u>2,201</u> |
| TOTAL | <u>\$10,765</u> |

SOURCE: Congressional Research Service

As if to further box in AID, Congress divides development aid into functional accounts, specifying aid levels for such programs as agriculture and rural development (\$494 million), population planning assistance (\$198 million) child survival (\$71 million) and AIDS prevention (\$40 million). The Hamilton draft would minimize earmarking; Kassebaum's bill would eliminate it.

Kassebaum conceded that removing earmarks "is going to be difficult, but I think it is a good thing to do." She contended that major recipients of political aid such as Israel and Egypt would continue to receive substantial sums. "Realistically, we're not going to skimp on funding there," she said. Her legislation would divide funds by region, thus protecting a large sum for the Middle East, for example.

The regional account concept is based on the \$500 million African Development Fund set up in 1987, which eliminated most earmarks and functional set-asides for aid to sub-Saharan Africa. The fund is still too new, observers note, to use as a model for other regions, however, and the political and strategic imperatives in Africa are relatively few.

Members of Congress, interest groups with ethnic or religious ties to various countries or regions, and those who disagree with Administration policy in regions such as Central America feel most threatened by proposals to remove country earmarks. Private voluntary organizations that undertake federally supported development projects worry about plans to eliminate functional accounts.

Among the most concerned are population control groups, whose family planning assistance is often controversial. "The difference with the population program is there's always going to be a lot of squeamishness about it because we're talking about sex," said Sharon L. Camp, vice president of the Population Crisis Committee in Washington. "Especially when the political wind starts to change as it did in 1980, people started backing away from" projects her group supports, such as dispensing birth control devices.

Although she acknowledges her group's interest in continuing the functional set-asides, Camp also offers a rationale for Congressional decision making on support levels. "What a legislative body does in our kind of democracy is to divvy up the money," Camp said. "If they grant it in a lump sum, they've provided no direction, made no choices, no allocations. They haven't done their job."

The coalition of voluntary groups that produced its own reform proposal would remove functional set-asides if the agency administering foreign aid was removed from the control of the State Department and given political autonomy from the White House. This, they say, would better assure objective allocation of the funds. Hamilton's draft would keep AID in its current niche at State.

Over the years, Congress has tended not to trust an Administration to use foreign aid money to its liking even after funds are earmarked and set aside. In nearly three decades, Congress has imposed 288 reporting requirements on AID to document the planned and actual use of the funds. Only the Defense Department has more reporting requirements, and those for a budget 20 times as great.

"There is something wrong when each year the amount of foreign assistance in real terms has shrunk at the same time the amount of guidance from Congress has increased geometrically," said Joel L. Johnson, a former member of the Foreign Relations Committee staff who has just left the American League for Exports and Security Assistance Inc. to become vice president of the Aerospace Industries Association of America Inc.

But Camp sees some justification in this paperwork burden. "Everyone in development would agree that there are too many reporting requirements, too many objectives, too little flexibility," she said. "On the other hand, I don't think one gives any Administration total flexibility. Certainly, in the last eight years, I have seen nothing to give any reason to give the current Administration any flexibility. If you couldn't trust them with all those thousands of earmarks and functional accounts, how in the world would you trust them with no direction at all?"

EXPORTS AND POVERTY

Even if Hamilton and Kassebaum succeeded in rewriting the foreign-aid statute, foreign development assistance would still not please the critics who believe it promotes the wrong types of activities.

One such critic is Woods, who doesn't give the AID development projects very high marks for raising the Third World out of poverty. "There are things we have done to alleviate the effects of poverty--child survival, health programs, that kind of thing," he said. "Where we haven't succeeded is in actually reducing poverty. That's harder stuff, no question about it. But ultimately, that's what has to be achieved."

The development goals expressed by ideologically disparate experts are surprisingly similar. All want to reduce poverty by helping people to become productive and self-reliant. But they would approach that objective via drastically different routes.

Woods' view reflects the philosophy of the multinational development banks and the Reagan Administration (the Bush Administration has yet to enunciate a philosophy), which argues that development should stimulate participation in the international economy through exports, that the best way to achieve this is by bolstering the private sector, and that this often requires wrenching economic reforms such as reducing subsidies on food and fuel and devaluing currency. In general, it is a government-to-government activity.

Humanitarian, development, and environmental groups vehemently disagree, contending that exports often are obtained at the expense of the environment and the self-sufficiency of the poorest citizens. "There's absolutely no evidence that the benefits of this type of [export-oriented] development actually get down to the poor," said Stephen Hellinger, co-director of the Washington-based Development Group for Alternative Policies. "The benefits stay mainly in the rather elite export-import sectors, and as a result, the gap between rich and poor is getting greater. Dualistic economies are being created in many places around the world. We've created a monster."

Because the poorest countries lack the physical and educational underpinnings for industry, their exports frequently are food and minerals. Those favoring an export-driven solution are "asking countries to expand exports at a time when the market for their goods is declining and they have to compete against one another, lowering the price in the process," Hellinger said. It's a no-win situation for them.

Rather than pressuring central governments to increase exports to the industrialized countries, Hellinger would work with local groups to increase their production of foods for themselves. And he would work with the central governments and regional institutions to integrate regional economies.

Most of these economies are predominantly agricultural. Not surprisingly, agricultural and food assistance has consumed about half the foreign-aid development budget since 1977. But it presents development experts with a dilemma. "There is a simplistic notion you see in various places that all we've been doing is supporting export-oriented agriculture and that's bad," Sewell said. "It doesn't answer the question of what the hell you do with a country that only has agriculture to export."

Environmental organizations take a dim view of the kind of large-scale, mechanized agriculture believed necessary for export production because it often requires cutting down forests and destroys the fragile soils in many tropical countries.

Food and agricultural specialists in the voluntary organizations who have worked in Third World countries also report perverse results from some well-intentioned programs.

A Bolivian development expert, for example, described the unintended consequences of a trade liberalization program that "sounded logical." As a result of easing regional trade barriers, "Argentinian, Brazilian, and Chilean produce now competes with Bolivian produce," he said. "Their economies are much bigger and they have many advantages, so their price is much cheaper. The result is it hurts the small farmer in Bolivia. The logic is to make Bolivia more efficient. Eventually, it may become so. Meanwhile, its hurting the small farmers who are being driven to grow coca and produce cocaine."

"Economists can drive you crazy discussing food aid because for almost every solution, there is a new problem created," said Sister Eileen Fane, senior director for Latin America for Catholic Relief Services in New York. "Working in a market economy means any force introduced in the market upsets something else."

The emphasis on recipient economic reform is a trend of the 1980s. During the 1970s, development aid focused on meeting basic human needs, such as child survival and small-scale agriculture, which, in turn, had replaced the large infrastructure program of the 1950s and 1960s. Some development experts would like to revive the infrastructure program. "This is not only a central part of development strategy, but an area in which the United States can make as good a contribution qualitatively and maybe a better one than in small-scale agriculture," said Preeg of the CSIS. "Goodness knows, the United States has a comparative advantage in high-tech industries, Small-scale farming in tropical climates is not what our agriculture is all about."

An indication of the gap between the two camps' thinking is economists' criticism of AID for sponsoring small-scale projects, while food development specialists decry the agency's emphasis on the large scale.

The conflict between building up the infrastructure and meeting human needs is highlighted by former Foreign Relations Committee aide Philip L. Christenson, who has been struggling to deliver food to starving people in the Sudan in his new capacity as assistant AID administrator for Food for Peace and voluntary assistance. "The best way we could meet basic human needs and ensure child survival in the Sudan is to build some roads," he said. "We are fighting against the rainy season when everything turns to muck. People will die because of our physical inability to reach them with food, and that's outrageous."

Many critics feel that the time has come for the United States to acknowledge its changed role in the foreign aid field. In the early days of AID, the United States was virtually the only donor. Now some of the countries that used to be recipients--Japan and South Korea, for example--are donors themselves. (In fact, this year, Japan will surpass the United States in dollars of assistance.)

What's more, as a proportion of national wealth devoted to foreign assistance, the United States is near the bottom of the list of donors. (See Table 2.) And the money provided by the multilateral lending and development agencies overwhelms the contributions of individual nations.

So, many of the development experts are calling on the United States to perform a coordinating function. "Coordination is the most difficult thing to accomplish because of the turf tenderness," Kassebaum said. "I think it would behoove us to work for stronger coordination in country and back here."

The first step might be coordinating and analyzing the disparate views of what foreign aid should do. The last time a major reform of the foreign assistance program was adopted was in 1973. Without agreement on direction, Congressional observers don't see much chance for reform soon. "I still don't think there is a clear consensus of what the objective of the aid program ought to be," SRI International's Connolly said. "It's evolving, but it isn't there yet."

But Preeg warned, "There's great urgency because the current program has been discredited."

TABLE 2
Foreign Aid Standings

EVEN THOUGH THE UNITED STATES SPENT MORE ON FOREIGN AID THAN ANY OTHER NATION THROUGH 1987, IT RANKED NEAR THE BOTTOM OF INDUSTRIALIZED NATIONS IN FOREIGN AID AS A PERCENTAGE OF NATIONAL WEALTH. IN 1988, JAPAN SURPASSED THE UNITED STATES IN ABSOLUTE DOLLARS FOR BILATERAL FOREIGN ASSISTANCE, BUDGETING MORE THAN \$10 BILLION IN FISCAL 1988. THE FOLLOWING FIGURES FOR 1987 ARE THE LATEST AVAILABLE.

| | MILLIONS OF DOLLARS | PERCENTAGE OF GROSS NATIONAL PRODUCT |
|---------------|------------------------|---|
| Australia | \$627 | 0.33% |
| Austria | 196 | 0.17 |
| Belgium | 689 | 0.49 |
| Canada | 1,885 | 0.47 |
| Denmark | 859 | 0.88 |
| Finland | 433 | 0.50 |
| France | 6,525 | 0.74 |
| Great Britain | 1,865 | 0.28 |
| Ireland | 51 | 0.20 |
| Italy | 2,615 | 0.35 |
| Japan | 7,454 | 0.31 |
| Netherlands | 2,094 | 0.98 |
| New Zealand | 87 | 0.26 |
| Norway | 890 | 1.09 |
| Sweden | 1,377 | 0.88 |
| Switzerland | 547 | 0.31 |
| United States | 8,945 | 0.20 |
| West Germany | 4,391 | 0.39 |

SOURCE: Organization for Economic Cooperation and Development

Host-Country Praise for U.S.-Provided Materiel

[The following is a reprint of a message from the United States Liaison Office, Djibouti (200435Z Apr 89), reflecting government praise for the performance of U.S.-furnished equipment during recent severe flooding in Djibouti.]

In the course of a routine periodic Military Assistance Program (MAP) coordination meeting, General Ali Mehidal Waiss, Commander, Djiboutian National Army, lavished high praise on U.S. MAP-provided materiel. He asked that we relay his satisfaction to U.S. Central Command and other concerned agencies.

During the six-day period ending 9 April, Djibouti received an unprecedented twenty inches of rainfall. This caused flooding that forced over half of Djibouti City's population from their homes (at least temporarily). During the two worst days, April 7 and 8, the city was nearly paralyzed, and was cut off from the interior of the country due to the Oued Ambouli River overflowing its banks, making the one road which crosses it--a level crossing, not a bridge--impassable to all vehicles except for the U.S.-provided five-ton cargo trucks (M813 series) and five-ton dump trucks (M929 series). The cargo trucks (quantity: fifteen) had been delivered in March of last year, and the dump trucks (quantity: ten) in May of 1986.

General Waiss reported with enthusiasm that no other vehicles, including those of the French military, had been able to negotiate the Oued Ambouli, and that it was the U.S. cargo and dump trucks which kept the city from being completely cut off. General Waiss's Chief of Cabinet/Aide de Camp also reported that he had personally seen to the rescue of a squad of French soldiers who were stranded in the increasing flood waters of the Oued on the night of April 7. Reportedly, he saw them stranded while he was going the other way across the Oued. Because he was in an M813 cargo truck, he was able to go for help, returned with the U.S.-provided M920 tractor truck (normally used to pull the trailer which transports the Djiboutian Army's tracked Caterpillar®™ engineer equipment) and pulled the French Army truck and squad to safety.

Even now, in the flood recovery period, the U.S.-provided trucks are continuing to be heavily used to carry relief supplies and food from their reception point at the airport to various locations in and around the city. The Djiboutian soldiers driving the trucks also have enthusiastic praise for the performance of the U.S.-origin equipment. Recent visits to Camp Chiek Osman, garrison site for the Djiboutian Army Engineer Company (in which all of the subject trucks are assigned) have found many trucks dispatched on various relief-related missions, and others standing by to go to the airport to collect incoming relief supplies.

Additionally, the U.S.-provided engineer equipment is currently being used to assist clean-up operations, and will be used throughout the long recovery period to assist in repairing the many damaged roads. During the rainfall, engineer equipment was used in a damage-control role to assist drainage.

Finally, the Djiboutians have also used U.S. MAP-provided tents in a disaster-relief role. In November, 1985, the U.S. delivered ten "General Purpose, Large" tents, and in 1986, an additional forty medium frame tents were delivered to the Djiboutian National Army. Some of these tents are now on loan to the Ministry of the Interior to provide temporary shelter for some of those still unable to return to their homes.

Although the Djiboutian National Army has often previously used U.S.-provided MAP materiel in a civic action/humanitarian capacity, never before has it been used so heavily and so successfully in that role.