Does AID Have A Future?

During the Bush and Clinton administrations, the Agency for International Development (AID) was subject to even more than the usual criticism. Reform proposals included extensive reorganization or even the elimination of the agency. The changes underway in both the domestic and international political environment suggest that the U.S. economic assistance program as we have known it—as it has been conceived and managed since the early 1950s—is no longer viable. Some critics view this as a cause for celebration. But I come to this conclusion reluctantly.

Six visions

U.S. development assistance policy, following the post-WW II relief and recovery efforts in Western Europe and East Asia, has been guided by a series of six successive strategic visions.

The first was a vision of a post-WWII liberal political and economic order. This vision was articulated by the architects of the new postwar institutions: the World Bank, the International Monetary Fund, the General Agreement on Tariffs and Trade, and the United Nations and its specialized agencies and voluntary programs. The vision was induced by a perception that economic autarchy and political repression in the interwar period were major sources of the Great Depression and World War II.

The second vision was outlined as the fourth point in President Harry S. Truman’s inaugural address of January 20, 1949. In that speech, Truman proposed “a bold new program for making the benefits of scientific advances and industrial progress available for the improvement and growth of underdeveloped areas.” This was the technical assistance vision.

The third vision was articulated by John F. Kennedy in his presidential campaign: "A more prosperous world would also be a more secure world." This articulation held out the promise of refocusing the security concerns of the Eisenhower administration from containment to development. The assistance policy that emerged emphasized the transfer of large financial resources by both bilateral and multilateral institutions.

The fourth was the vision advanced by members of the House Foreign Affairs Committee in the late 1960s and early 1970s—a “New Direction” in foreign assistance that would focus on basic human rights and human needs. Aid should be directed toward achieving greater equity among peoples, both within and among countries—to achieving political empowerment and improvement of the economic well-being of the poor majority in the poorest countries.

The fifth was the doctrine of closer linkage between economic and security assistance articulated in the Report of the Commission on Security and Economic Assistance (The Carlucci Report), and in speeches by Secretary of State Alexander Haig and U.N. Ambassador Jean Kirkpatrick during the first Reagan administration. Translation of the doctrine into policy was, however, confronted by an AID administrator whose emotional commitments were closer to the New Direction themes than to the right wing of the Reagan administration.

A sixth vision, sustainable development, emerged during the closing years of the Bush administration. Its central theme was intergenerational eq-
sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs." Unlike earlier visions, the vision of sustainable development did not emerge from official levels—from either the administration or the Congress. It was advanced first by the international environmental community and later by a broad coalition of NGOs. It was initially greeted with cautious skepticism at official levels. Its momentum was enhanced when environmental crisis became a central issue in the vice presidential campaign of Senator Al Gore. In 1993, it was embraced as a unifying foreign assistance theme by the Clinton administration.

Throughout the almost five decades since the 1940s, there have been two overarching constraints on the pursuit of the several visions or strategies outlined above. The first is that United States development assistance policy has largely been derivative of Cold War containment strategy. The growth and decline in the magnitude of assistance flows have been dominated by the intensity of the cold war. The decline in economic resources for development and strategic assistance since the mid 1980s is only the most recent manifestation of this relationship. When effectiveness in the use of aid resources for development purposes has appeared to be in conflict with short-run strategic objectives, the strategic objectives have generally dominated assistance policy.

A second constraint is the continuing gap between the articulated objectives of assistance policy and the limited resources that have been made available to realize these objectives. The commitment to global poverty reduction in the 1970s and debt restructuring in the 1980s are among the more recent examples of the gap between rhetoric and resources. In the last Bush administration budget—the fiscal 1993 budget—authority for U.S. bilateral economic assistance, including both development (DA) and strategic or supporting (ESF) assistance, amounted to less than $8 billion. The gap between America's pretensions and its willingness to support them has lead to inevitable disillusionment.

What is the bottom line? What should we have learned from the past? At the risk of only slight overstatement, let me make two assertions. The first is structural reform; the removal of distortions in monetary, fiscal, trade, commodity, and consumer policy is a prerequisite for effective economic performance. It raises the rate of return to growth-enhancing investment but it is not a primary source of economic growth. At best it can reduce the gap between the level of output that has already been achieved and the level of output that is potentially feasible.

The second is that the real sources of economic growth are investments in human and physical capital and in productivity-enhancing technical and institutional change. These more fundamental investments must draw on resources—financial, political, intellectual—that are not readily mobilized in the short run and often not by the private sector. They do not generate immediate increments in economic growth. They often require a generation or more to mature. The failure to make needed investments to expand technical and institutional capacity in the 1970s is a major reason why the response to the policy reforms of the 1980s was often so disappointing.

**Building on United States capacity**

The plethora of development assistance reform proposals advanced during the closing years of the Reagan and Bush administrations lacked the sense of vision that would be necessary to unlock the two constraints. More than half of bilateral economic assistance will, in the immediate future, continue to be allocated to advancing the peace process and related political objectives in the Middle East. A significant portion of the remaining economic assistance will be allocated to support the economic and political transition process in Eastern Europe, Russia, and the other successor states to the USSR. A much smaller, but still substantial, flow will likely be directed to facilitating democratic reform in Southern Africa. As these priorities are met, it appears that substantially less than $1 billion will be available for U.S. bilateral economic assistance to the poorest countries in Asia, Africa, and Latin America.

My most optimistic scenario for the U.S. bilateral assistance program in the severely constrained economic environment of the mid 1990s is much less ambitious than the U.S. is capable of delivering. But it is a program that would draw on U.S. capabilities to cooperate with poor countries in advancing their own development priorities. The program would be built around a reorganization and refocusing of the AID development assistance budget in six important areas.

- **Agriculture and food security.** Agricultural commodities have been available on relatively favorable terms in world markets since the early 1980s. But most countries in the developing world have not yet succeeded in developing and sustaining the agricultural research, extension, and infrastructure investment that will enable them to meet the demands that will be placed on agricultural producers during the early decades of the next century. Few have been able to design and put in place the
institutions needed to assure the poor equitable entitlements to basic subsistence. The food situation in much of Africa has become increasingly precarious. The decline in support for agricultural development in the 1980s, particularly the decline in support for agricultural research, should be reversed.

- Natural resources, energy use, and environmental protection. The closing decades of the twentieth century have seen a major transition in concern about capacity to achieve sustainable economic growth. It is now clear that technical change is capable of releasing the most serious threats to growth arising out of resource constraints. But the environmental effects of agricultural and industrial intensification are posing new threats to the sustainability of economic growth. These threats range from groundwater and soil pollution to global climate change. Only a few developed countries and even fewer developing countries have begun to put the needed technologies and institutions in place to resolve these threats.

- Health and population. The design of health systems to meet the needs of the poor majority in the least developed countries continues to evade the efforts of assistance programs. A series of health threats—malaria and tuberculosis resurgence, failure to make significant progress in parasitic disease, the high cost of responding to infectious disease, the health effects of environmental change, and the debilitating impact of the AIDS epidemic on working-age populations—point toward the emergence of a global health crisis in the early decades of the twenty-first century. Capacity for essential national health research needs to be strengthened. Health delivery and maintenance systems need to be designed and implemented which give the family and the community a central role in the health system. Population stabilization represents an important component of efforts to achieve food security and sustainable improvements in other dimensions of human development.

- Education and human capital. It has been clear since mid-century that broad-based economic growth can be sustained only if all people have the opportunity to acquire the basic skills and knowledge that facilitates effective participation in the economic, social, and political development of their country. Advances in science and technology have raised both public and private returns to improvements in education. Yet access to even the most basic levels of education remains strongly biased against rural areas, against females, and against the urban poor in too many countries.

- Institutional reform. During the 1980s, political and economic reform occupied a relatively high priority in the U.S. bilateral assistance agenda. The uneven success of economic reform efforts has been due, to a substantial extent, to the lack of institutional capacity to respond to the incentives made available by the reform programs. The even more limited success of U.S. efforts to assist in political reform reflected not only the inadequate knowledge base and capacity of the U.S. bilateral assistance agency, but the frequent conflict between U.S. strategic objectives and the imperatives of political reform.

Political reform should be approached with considerable humility. In the case of economic development, both sector development and policy reform efforts have been able to draw on a powerful body of economic thought—primarily neoclassical economic theory—that provides the analytical tools with which to address issues of development policy and practice. The application of these tools, even when employed with skill and sensitivity, has not represented a guarantee against failure in project, program, or policy design. There is no similar body of theory that can serve as a guide in the design of programs to strengthen the institutions of governance or of a program to achieve a liberal political order.

- Security assistance. Economic assistance for strategic purposes (ESF) has declined more rapidly than development assistance (DA) since the mid 1980s. The overwhelming share of such resources are now allocated to the Middle East. It is now time for a complete reassessment of U.S. assistance policy toward the Middle East. The Nixon Doctrine prepared the way for U.S. military disengagement from Southeast Asia. It is now time for the U.S. to promulgate a new Middle East doctrine along the lines suggested by George Kennan in the mid 1970s.
The first element in that doctrine should be that the United States no longer has vital strategic or security interests in the Middle East. A second should be that the United States does have an interest, short of direct military intervention, in the continued reduction of tensions between Israel and the Arab States in the region. A third should be that the United States would welcome the emergence of representative governments in the region.

These priorities are not inconsistent with the Clinton administration priorities as outlined in the 1993 Wharton Task Force. They do imply a far less adequate assistance effort than is consistent with either U.S. capacities or responsibilities. They are, however, consistent with the limited resources that are likely to be available for economic assistance by the United States to the poorest countries in the late 1990s. They are consistent with, but do not exhaust, the elements usually included in the sustainability agenda. Each draws on scientific, professional, and technical capacity in which the United States has much to offer. There is no presumption that all program areas will be operative in all countries. The program initiative should draw on the capacities of universities, private voluntary organizations, and the public foundations in a way that assures sustainability in the development of program capacity.

A new vision?
The decline in the relative strength of the U.S. economy has weakened its capacity to play a hegemonic role in global economic and political affairs. I have (reluctantly) found myself in agreement with Jeanne Kirkpatrick who insisted, a bit prematurely, in a 1990 article in *Foreign Affairs* that the U.S. must reconcile itself to being "just a power." Henry Kissinger has insisted that in the emerging world order "the United States can neither withdraw from the world nor dominate it." But the declining capacity of the U.S. economy to sustain a first-class global posture in economic and security affairs cannot fully account for the constraints under which U.S. foreign economic assistance will be forced to operate in the mid and late 1990s. The effects of the irresponsible fiscal policies pursued in the 1980s will continue to dampen policy initiatives. For at least the next decade, the U.S. government will continue to tailor both its foreign and domestic policies to a very constipated fiscal environment.

As the Clinton administration struggled to repair the erosion in the capacity of the domestic economy and the dysfunction of social institutions that became increasingly apparent during the closing decades of the Cold War, its capacity and inclination to aggressively pursue foreign policy goals, particularly foreign economic assistance, became increasingly tentative. Thomas L. Friedman of the *New York Times* has noted that while continuing to project a vision and commitment to a more peaceful, democratic, and prosperous world, the Clinton administration has, in practice, defined a new policy of "self containment."

Are there any forces at work which might reverse the anticipated decline in assistance resources? One could be the emergence of one or more common threats to the well-being of both developed and developing countries. There was a good deal of rhetoric in the early and mid 1990s about sustainable development and environmental security. There is little doubt that the transnational nature of a number of environmental threats—global climate change, ozone depletion, acid rain, and others—will require the strengthening of international institutions. There is also the possibility of a global health and food crises emerging as we move into the first decades of the next century. Either could result in an international resource mobilization effort to resolve the crisis. But I do not visualize, at least in the short run, any of these common concerns generating the political support that will be needed to prevent the erosion of U.S. assistance resources. The most likely prospect is for each assistance constituency, within the government and outside, to continue to attempt to carve out for its favored program area (population, environment, agriculture) a larger share of a declining assistance budget.

The continuing fatigue and disorientation in the U.S. bilateral effort will not be resolved by the typical Washington remedy—by reorganizing AID. Moving organizational boxes around (as in the 1979 reorganization that created IDCA), attempts to re-
tionalize interagency conflict and cooperation (as in the 1990 food AID reforms), or the absorption of AID into a “super” State Department (the proposed Department of International Relations) will not resolve the problem.

A new world order?
The problem of lack of focus will not be resolved until a new post-Cold-War vision of the kind of world that we want to live in during the first half of the twenty-first century captures the political and popular imagination. Such a vision can only be perceived dimly at this time. I have been pressed by friends in the development community to embrace the rhetoric of “sustainable development” in an attempt to capture a vision for the future. I have resisted, however, because the concept of sustainability has become so elastic that it can be stretched to cover almost any reform agenda. It has become an umbrella under which consistencies with widely diverse and often inconsistent agendas can march without confronting their disagreements.

The international environment in which assistance efforts will be conducted in the early decades of the twenty-first century will be vastly different than the bipolar world of the Cold War Era. We will be confronted with what Harlan Cleveland has termed “a new world disorder.” Many centralized nation states are perceived by large numbers of their peoples as increasingly less relevant to their economic and political needs. This trend is apparent in large multinational states. But it also includes many small multinational states, states that incorporate geographically based national minorities—whether Amer-Indian nationals in the U.S. and Guatemala, ethnic minorities in the former Yugoslavia and the USSR, or tribal minorities in Rwanda and Burundi.

Governments will be forced to deal more creatively with their constituent nationalities than in the past. The constitutional design challenge of the next several decades will be how to simultaneously achieve political autonomy and economic viability. On the political side this means a pragmatic search for constitutional arrangements that will assure ethnic and other political communities sufficient autonomy to satisfy their civic needs. Economic viability requires that political autonomy be achieved within a constitutional framework that will permit financial resources, commodities and services, and people to move freely across political borders.

What should be the role of U.S. economic assistance in an environment of pervasive economic and political disorder? U.S. national security will rarely be threatened by the small conflicts of natural liberation or ethnic cleansing. Nor will conventional military responses be particularly effective in restoring order. Idealism will continue to represent a compelling source of American foreign policy. The liberal impulse that inspired U.S. leadership in the design of the post-World-War-II international system and our bilateral aid program will insist that the United States play a constructive role in responding to the new international disorder.

But the implications for U.S. development assistance policy are far from clear. The U.S. bilateral development assistance program, as we have known it throughout most of the postwar period, has been largely eroded. It is doubtful, in the absence of a new vision and a new consensus, that the U.S. assistance agency can survive in its present form.

For more information


Some photos courtesy Front Lines, USAID.