Foreign Aid: Essential to Security, but Money Alone Is Not Enough

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Abstract

As President Obama and the 111th Congress prepare to assume office, Urban Institute (UI) experts offer their advice on evidence-based policymaking and the policy issues facing the country. Charles Cadwell, Director of UI’s Center on International Development and Governance (IDG) argues that foreign aid and a renewed emphasis on international development are essential to national security and international stability, but that money alone will not achieve the desired policy outcomes. Policies and institutions, not resources, pose the greatest constraints and require the most work ahead.
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The United States has learned a lot in the past eight years about the limits of our influence in “nation building.” Some of these lessons have been costly indeed. But President Bush was right that our national security strategy must include our policy on the development of poor and conflict-torn nations. The new administration should not walk away from this accomplishment of the Bush era, even if it does not continue the previous administration’s execution.

One key lesson of our own and other “donor” efforts is that simply throwing more money at developing countries’ challenges is not sufficient. There is not enough money to throw, and few of the problems stem from a lack of money. This much is widely agreed, but we are still measured by the proportion of our GDP we devote to aid. Indeed, President Obama’s commitment to double foreign aid needs to take account of this paradox—some aid actually undermines the development needed for long-term prosperity and stability. We help the poor people we see, but at the expense of addressing the many who will be born into poverty.

The core steps needed for development often differ from the humanitarian efforts that offer relief to millions. Of course, building schools, providing vaccines and mosquito nets, training health workers, etc., can reduce the misery of millions while longer-term issues are addressed. But these worthy efforts do not address deeper problems that condemn entire regions or populations to fall farther and farther behind. Policies and institutions, not resources, pose the greatest constraints and require the most work ahead. Here are some suggestions:

Rethink the Millennium Challenge Corporation: The Millennium Challenge Corporation (MCC) experiment in giving less-directed support to “well-governed” countries grew from a correct observation that better-governed countries use aid more effectively. But, of course, any place that is better governed is likely to make better use of public resources. The MCC experiment needs a tough review and evaluation—not just of the projects advanced by aid-receiving countries, but of the premise that countries only at the median of corruption and other governance measures can be goaded into further improvements by giving them policy and implementation responsibility for their own aid. So pay careful attention to reports that MCC
staff efforts to build rigor into the assessment and the country performance benchmarks have too often given way to other considerations that undermine the experiment’s premise.

Of course, the toughest security issues are in the places not so well governed and not targeted by the MCC. Development guidance and support in these has been left to the United States Agency for International Development (USAID), an agency diminished by congressional micromanagement and a reduction in expert staff.

**Fight earmarks at USAID:** In many years, the sum of congressional earmarks directing USAID to spend X millions on this or that exceeds the agency’s total budget. Every earmark is for a good purpose, but appropriations negotiations are not the forum for determining whether micro-lending or water projects would best advance U.S. interests in a particular country. Particularly in the fast-growing urban areas of the developing world, the challenges are not stove-piped into a single problem area. Similarly it seems wrong to presume that the answer lies in stove-piped allocations promoted by the providers of particular narrow answers.

**Rebuild USAID’s research and analysis capacity:** USAID staff and partners are at the front lines of development. But they have neither the time nor, too often, the resources to learn as much as they need to from that work. Where once new ideas and insights came from leading staff at USAID, now others, such as the World Bank, have center stage. Yet, fresh and effective ideas about economic development and democratic processes once distinguished U.S. aid and could again, even after the hit our prestige and reputation have taken in Iraq. Reengaging top thinkers from universities and elsewhere, and capturing lessons about development—not just projects—are essential tasks if USAID is to support smart presidential leadership in this complex world.

**Ensure that aid takes account of governance and is not provided in spite of governance:** A U.S. advantage is that we can express values and assert a viewpoint in designing and delivering support. In contrast, multilateral membership bodies often have to trim their efforts, can work only through the government ministries that cause the problems needing redress, or must contort whatever is needed into a loan. Even if elections are held, weak systems of transparency and accountability permit business as usual to sap the strength of polities and economies. Thus, the delivery of other assistance programs cannot be allowed to undermine fledgling local accountability systems or reinforce the stability of kleptocrats. Do individual sector-specific projects strengthen “democratic” practices even while they support improved health, sanitation, etc.? Similarly, it is not in our strategic interest to ignore worsening democratic behavior in our “partner” countries and invite the long-term risks of decreasing stability and security.

**Pay attention to local leaders and governance experiments:** Many developing countries have decentralized in one way or another, whether due to the centrifugal force of ethnic and political rivalries or by more orderly design. But there are opportunities to establish stable, accountable state-society relationships. Working to support workable relationships between local and regional governments, and then building accountable relationships between those subunits and
their citizens, is the nitty-gritty of delivering health, education, water and sanitation, and other essential services to millions.

**Humility and Curiosity**

There are no blueprints for meeting the challenges above, but hard lessons are abundant. The difficulty of knowing what to do in Pakistan or how to help Southern Sudan stabilize ought to inspire two reactions besides urgency: humility and curiosity. At least for a while, in many circumstances, “A Gift from the American People” may not be the branding needed to realize the outcomes on the ground that are in our best interest. By building intellectual leadership capacity within USAID, or alongside USAID, and investing some of the proposed doubling of aid in “looking before we leap,” and by more rigorously examining developments that come about as a result, it will be easier to resolve difficult, important development challenges and the national security problems that often accompany underdevelopment.

**Taking Advantage of our Advantage**

Given the urgent challenges around the world, we have an array of strengths. Americans are increasingly alert to the impact of poverty and conflict on our own interests; the immediate visibility of poverty and high-profile private steps to fight it build public confidence that something can be done. Though stretched thin, the cadres of development experts within USAID and among many implementing partners—volunteers, nongovernmental organizations, contractors—possess the needed expertise, commitment, and capacity. Directing that capability more usefully as we find ways to bridge the oft-perceived gap between aid and realism in international politics is partly a matter of balancing immediate crises with steps to support longer-term development and stability. But it is more too—better understanding of how to ensure that steps taken amid crises contribute to, instead of undermine or defer, building the social and political institutions that support prosperity and stability in the long run.