

**Modernizing Foreign Assistance for the 21st Century:  
An Agenda for the Next U.S. President**

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By Steve Radelet

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**ABSTRACT**

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Meeting today's foreign policy challenges requires a new vision of American global leadership based on the strength of our core values, ideas and ingenuity. It calls for an integrated foreign policy that promotes our values, enhances our security, helps create economic and political opportunities for people around the world, and restores America's faltering image abroad. We can not rely exclusively or even primarily on defense and security to meet these goals and must make greater use of all the tools of statecraft, including diplomacy, defense, trade, investment, intelligence, and a strong and effective foreign assistance strategy.

In today's world, foreign assistance is a vital tool for strengthening U.S. foreign policy and restoring American global leadership. Foreign policy experts on both sides of the political aisle now recognize the importance of strong foreign assistance programs. But they also recognize that our foreign assistance programs are out of date and badly in need of modernization. Recent new foreign assistance initiatives and increases in funding are a promising start, but they fall far short of what is needed to make our programs more effective in meeting the challenges of the 21st century.

This essay analyses the recent increases in funding and new organizational changes such as the MCC, PEPFAR, the growing role of the Department of Defense, and the F process. It then proposes a five-point strategy for modernizing U.S. foreign assistance: develop a National Foreign Assistance Strategy; create a new Cabinet-level department for development policy; rewrite the 1961 Foreign Assistance Act; place a higher priority on multilateral assistance channels; and increase the quantity and improve the allocation of funding.

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**Modernizing Foreign Assistance for the 21<sup>st</sup> Century:  
An Agenda for the Next U.S. President**  
Steve Radelet<sup>1</sup>

**Introduction**

The world has changed dramatically since the end of the Cold War and the dissolution of the Soviet Union. Global economic inequality has risen, exacerbating destabilizing tensions and creating resentment among those left behind. Diseases such as HIV/AIDS and malaria claim millions of lives each year, weaken fragile economies, and threaten our interests and those of our friends and allies. September 11th made clear the significant security threats from weak and failings states. The war in Iraq has substantially damaged the U.S. image abroad, undermined our ability to lead the world on critical issues, and created significant tensions and distrust with many of our friends and partners. While the process of globalization and the spread of new technologies have created tremendous opportunities, they have also created significant challenges, particularly for those who start from a position of disadvantage and that believe—rightly or wrongly—that the rich have rigged the rules to favor themselves at the expense of the poor. Democracy is taking root in low-income countries in Africa, Latin America, and Asia, but its hold is tenuous and its future in doubt in some cases.

Meeting these challenges requires a new vision of American global leadership based on the strength of our core values, ideas and ingenuity. It calls for an integrated foreign policy that promotes our values, enhances our security, helps create economic and political opportunities for people around the world, and restores America's faltering image abroad. We can not rely exclusively or even primarily on defense and security to meet these goals. Instead, we must make greater use of all the tools of statecraft through "smart power," including diplomacy, defense, trade, investment, intelligence, and a strong and effective foreign assistance strategy.<sup>2</sup>

In today's world, foreign assistance is a vital tool for strengthening U.S. foreign policy and restoring American global leadership. Foreign policy experts on both sides of the political aisle now recognize the importance of strong foreign assistance programs. But they also recognize that our foreign assistance programs are out of date and badly in need of modernization to meet the challenges of the 21st century.

The Bush administration deserves credit for taking several steps to increase the amounts of foreign assistance and begin to change how it is managed. It sharply increased total U.S. aid from \$12.6 billion in 2001 to \$23 billion in 2006 (measured in constant 2005 dollars), although the vast majority of the increase went to Iraq, Afghanistan, and other

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<sup>1</sup> Thanks to Sheila Herrling, Sami Bazzi, and Rebecca Schutte for their help in preparing this chapter, and to Nancy Birdsall and Dennis de Tray for comments on earlier drafts.

<sup>2</sup> The term "Smart Power" was originally coined by Suzanne Nossel in "Smart Power," *Foreign Affairs* March/April 2004. See also "Smart Power: Building a Better, Safer World," Center for U.S. Global Engagement, July 2007; and "A Smarter, More Secure America," report of the Commission on Smart Power, Center for Strategic and International Studies, November 2007.

allies in the war on terror<sup>3</sup>. It introduced several new programs, most prominently the President's Emergency Plan for AIDS Relief (PEPFAR) and the Millennium Challenge Account (MCA). And during its second term, it introduced several organizational changes through the so-called "F-process," including naming a new Director of Foreign Assistance and bringing the U.S. Agency for International Development (USAID) more closely under the direction of the State Department.

But these changes fall far short of what is needed to modernize U.S. foreign assistance programs and make them more effective in achieving today's U.S. foreign policy goals—and in several key areas may be moving in the wrong direction.<sup>4</sup> Today's challenges require a fundamental rethinking of the purposes, scope, organization, and legislation underlying our foreign assistance programs. The next U.S. president should:

1. Develop a National Foreign Assistance Strategy that elevates global development as critical to our national interest and lays out the principal missions and mandates for foreign assistance;
2. Reform the organizational structure by merging most foreign assistance programs and related development policy instruments into a new Cabinet-level department, and strengthening the organization by expanding and deepening the professional staff, revamping delivery mechanisms, and building a serious monitoring and evaluation system;
3. Rewrite the outdated and unwieldy 1961 Foreign Assistance Act in order to streamline procurement rules, earmarks, and restrictions, and to reestablish a strong partnership between the Executive Branch and Congress that allows greater flexibility to the former provided there is greater accountability and responsiveness to the latter;
4. Place a higher priority on multilateral channels of assistance; and
5. Increase the quantity and improve the allocation of assistance, since even with recent increases U.S. foreign assistance is not large enough or unencumbered enough to meet our major foreign policy goals.

Aid is no panacea. Stronger and larger foreign assistance programs alone will not be enough to achieve U.S. foreign policy goals. As discussed in other chapters in this book, policies affecting trade, migration, capital flows, governance, and climate change, among

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<sup>3</sup> All references to amounts of foreign assistance in this paper are based on data for "official development assistance" (ODA) as reported by the United States and other countries to the Organization of Economic Cooperation and Development (OECD). This is the standard international source for foreign assistance. These figures capture amounts for aid actually disbursed (as opposed to committed) and include assistance for humanitarian and development assistance, but not military assistance. These figures differ from numbers drawn from the U.S. budget, which typically include amounts appropriated or authorized rather than amounts disbursed.

<sup>4</sup> For earlier discussions see Steve Radelet, "Bush and Foreign Aid," *Foreign Affairs*, September 2003; Stewart Patrick, "U.S. Foreign Aid Reform: Will it Fix what is Broken?" Center for Global Development Essay, September 2006; Lael Brainard (ed), *Security by Other Means: Foreign Assistance, Global Poverty, and American Leadership* (Washington, DC: Brookings Institution Press, YEAR); Carol Lancaster, *George Bush's Foreign Aid: Transformation or Chaos?* (Washington, DC: Center for Global Development, 2008); and "Beyond Assistance," report of the HELP Commission, December 2007.

others, all influence our relationship with low-income countries, and the most important factors in the development process are the policies of developing countries themselves. This chapter focuses on foreign assistance not because it is the key to development, but because stronger, more effective aid programs alongside other policy tools can help the United States further its own interests and help low-income countries at the same time.

### **Aid before September 11<sup>th</sup>**

Foreign aid first emerged as an important foreign policy tool during the Truman administration, and has since been used to address a wide range of national security and development objectives. The first great U.S. foreign assistance program, the Marshall Plan, was aimed at rebuilding Western Europe after World War II, in part as a bulwark against Soviet expansion. President Kennedy vastly expanded U.S. foreign assistance by establishing the Peace Corps, USAID, and the Alliance for Progress. All three programs were part of the Cold War arsenal aimed both at stemming the spread of communism and encouraging development in some of the world's poorest countries. In the late 1960s, Vietnam was the largest recipient of U.S. foreign aid. By the early 1980s, the Reagan administration was financing El Salvador, Honduras, Guatemala, the Philippines, and Zaire—none paragons of democracy, but all fighting various communist threats. In the late 1970s, aid emerged as a major tool for supporting a second important foreign policy goal: Middle East peace. As part of the Camp David accords, the United States significantly increased aid to Israel and Egypt; these two countries were the largest recipients of U.S. foreign assistance for two decades.

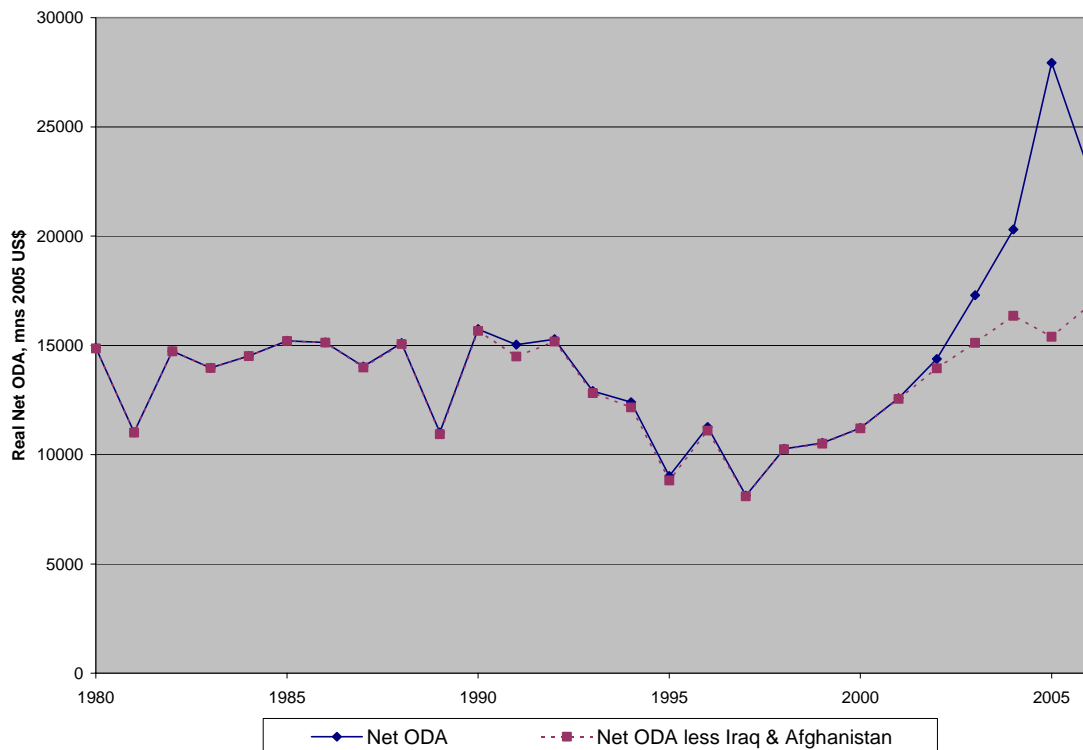
Alongside these security interests, U.S. foreign assistance made important contributions to development. U.S. support played an important role in the Green Revolution that provided the foundation for Asia's economic miracle, as well as in the rapid expansion of childhood immunization programs, and the efforts to fight small pox, river blindness, polio, and diarrheal diseases. The United States provided significant support to rapidly growing countries such as Korea, Taiwan, Indonesia, and Botswana (and more recently Mozambique, Tanzania, Ghana, and several other countries). But alongside the successes were failures where vast amounts of aid were spent with little achievement.

There are inherent tensions between the many disparate goals of foreign aid, especially between supporting short-term political and security needs and encouraging longer-term development. It is hardly surprising that aid did not always spur development, since that often was not its principal aim. In many countries the United States supported during the Cold War, neither the United States nor the recipient government cared much about development. These tensions are a prime reason for the perceived ineffectiveness of aid over the years, and are at the heart of the difficulties in strengthening our assistance programs.

After the Cold War, foreign aid lost much of its *raison d'être*, and the political support it had—always thin, even during the Cold War—waned sharply. Critics, led by Senator Jesse Helms, charged that foreign aid had little impact on economic development and was only "lining the pockets of corrupt dictators, while funding the salaries of a growing,

bloated bureaucracy.”<sup>5</sup> No one articulated a compelling vision of the purposes of foreign assistance, how it related to broader U.S. foreign policy and national security interests, and how aid policies should be executed. In the early and mid-1990s Senator Helms and others called for the elimination of USAID or its merger into the State Department. Under attack from Congress, net U.S. foreign assistance (or “official development assistance” as it is called in international circles) fell from \$14.3 billion from 1990-94 to \$9.5 billion in 1995-97 (in constant 2005 dollars; see Figure 1).

**Figure 1: Net Official Development Assistance (ODA), 1980-06 (constant \$)**

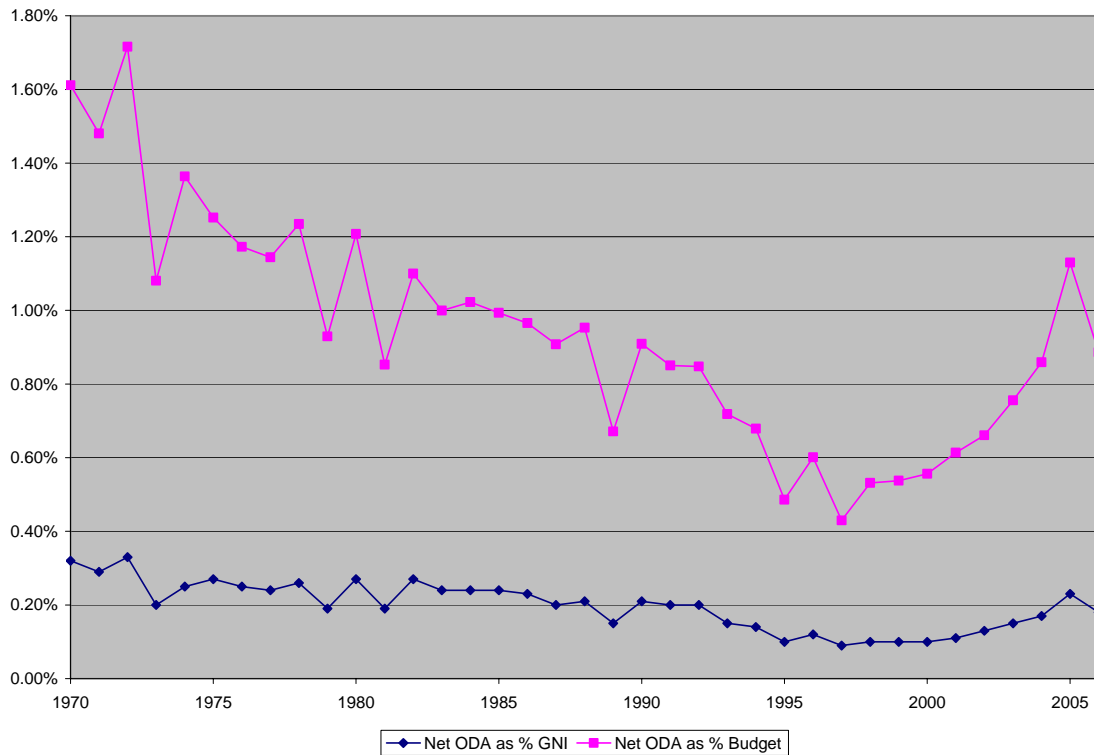


For several years, the United States fell behind Japan as the largest provider of foreign assistance. Aid fell from 0.9 to 0.5 percent of the federal budget, and from 0.2 to 0.1 percent of U.S. national income, putting the United States at the bottom of the donor list by this measure (Figure 2). USAID’s staffing shrunk, and the organization changed from having a strong voice in development policy with broad expertise to becoming essentially a contracting agency that outsources assistance programs to private contractors.

<sup>5</sup> Jesse Helms, “Towards a Compassionate Conservative Foreign Policy,” speech at the American Enterprise Institute, January 11, 2001, available at: [http://www.aei.org/publications/pubID.17927,filter.all/pub\\_detail.asp](http://www.aei.org/publications/pubID.17927,filter.all/pub_detail.asp).

Due in part to strong support and advocacy by civil society and other groups, the United States increased funding for debt relief, child health, and other development programs during the Clinton administration's second term. Between 1997 and 2001, foreign assistance increased by 55 percent (in real terms), and assistance to sub-Saharan Africa increased by 62 percent. But there was no overriding strategy or clear set of objectives to guide the design and delivery of foreign assistance programs.

**Figure 2: U.S. ODA As a Share of the Federal Budget and U.S. Income (percent)**



### Foreign Assistance Since 2001

Since September 11th foreign assistance has reemerged as an important strategic tool of U.S. foreign policy. The Bush administration rapidly expanded assistance from \$11.2 billion in 2000 to \$22.9 billion in 2006 (the 2005 figure was even higher due to a one-time large debt relief deal for Iraq). There were four major prongs to the expansion.

#### *Iraq, Afghanistan and the Growing Role of the Department of Defense*

First, the United States dramatically increased aid to Afghanistan, Iraq, and other “front-line” states such as Pakistan and Jordan. The largest increases by far have been for Iraq, which received \$11.2 billion in 2005 and \$4.8 billion in 2006 (including about \$4 billion in debt relief). Aid to Iraq accounted for nearly one-third of all U.S. foreign assistance during those two years. Funding for Afghanistan reached \$1.3 billion in 2005 and \$1.4

billion in 2006, making it the second largest recipient of U.S. assistance. Excluding assistance to Iraq and Afghanistan, the increase in foreign assistance between 2000 and 2005 was much smaller, growing from \$11.2 billion to \$16.8 billion in real terms.

The increase in aid to Iraq and Afghanistan has been accompanied by a shift in the responsibilities to oversee these assistance programs to the Department of Defense (DoD). DoD is now responsible for 22 percent of U.S. foreign assistance (up from less than 6 percent in 2002), making it one of the largest foreign assistance agencies within the U.S. government.<sup>6</sup> This shift has raised significant concerns both about further fragmentation of programs across the U.S. government and about the lack of experience in DoD to implement development programs.

**Table 1. Top 10 Recipients of Bilateral U.S. Net ODA, average for 2005 and 2006**

<b>Rank</b>	<b>Recipient</b>	<b>Net ODA (constant 2005 million dollars)</b>
1	Iraq	7,937
2	Afghanistan	1,341
3	Sudan	738
4	Colombia	574
5	Dem. Rep. of Congo	479
6	Ethiopia	458
7	Nigeria	432
8	Pakistan	394
9	Jordan	337
10	Egypt	296

#### *Millennium Challenge Account*

The second component of the Bush administration expansion of foreign aid was the introduction of the Millennium Challenge Account (MCA) in 2002. The MCA is an innovative program that represents a sharp break in the way the United States provides aid. The MCA selects a relatively small number of recipient countries based on independent policy indicators focusing on governance, education and health, and economic policies; and provides them with much larger sums of money compared to other programs. The administration established a new organization, the Millennium Challenge Corporation (MCC), to run the program. Once countries qualify, the recipient countries set priorities, design the programs to be funded and implement them. This approach places much more responsibility for development programs with the recipient country. In return for this flexibility, the MCC—in theory—demands greater accountability for achieving results, including being willing to cut off funding when programs fail. This is yet to be tested.

The Bush administration had the opportunity, in conjunction with establishing the MCA, to try to strengthen and modernize USAID (and U.S. foreign assistance programs more

<sup>6</sup> OECD-DAC *Peer Review of the United States*, 2006. See also Stewart Patrick, “U.S. Foreign Aid Reform: Will it Fix what is Broken?” Center for Global Development Essay, September 2006.

broadly). Its decision to establish a new organization, rather than have USAID administer the program, was widely interpreted as a vote of no confidence in USAID. There was a clear advantage in establishing a new entity: it was authorized under new legislation, and therefore escaped many of the onerous burdens (e.g., tied aid, sectoral earmarks, and heavy reporting requirements) of the Foreign Assistance Act. But the move added to the fragmentation of foreign assistance programs across the Executive Branch and weakened the authority of USAID.

The MCA has shown and continues to shown great promise, but also growing pains. By the end of 2007, 15 countries had signed compact proposals totaling \$4.8 billion and another 18 countries had signed threshold agreements totaling nearly \$400 million. There are many signs of “the MCC effect” in which potential recipients work hard to improve their scores on the indicators in order to be selected for the program. However, the appropriated funding of about \$1.7 billion per year has been far below the administration’s initial promise of \$5 billion per year.<sup>7</sup> Perhaps most importantly, actual implementation of programs has been slow—by the end of 2007 the administration had disbursed just \$150 million

#### *President’s Emergency Plan for AIDS Relief (PEPFAR)*

The third major prong was the establishment of the President’s Emergency Plan for AIDS Relief (PEPFAR), announced by the president in the 2003 State of the Union Address and enacted into law in May of that year (see Mead Over’s chapter on HIV/AIDS in this volume). The initiative called for an increase in U.S. funding for international HIV/AIDS of \$10 billion over five years, from \$5 billion to \$15 billion, of which \$1 billion would go to the Global Fund to Fight AIDS, Tuberculosis, and Malaria. It named 15 countries with high HIV/AIDS prevalence rates as the focus of the program. PEPFAR was a huge step forward for an administration that had voiced skepticism in its early days about the potential for effective programs in Africa, and reflected a broad shift in the foreign policy community that the HIV/AIDS pandemic constituted a moral crisis and a significant threat to U.S. foreign policy interests.

The program has enjoyed strong bipartisan support, and is generally seen as being successful so far. PEPFAR has contributed (alongside other donor’s programs) to putting over 1 million people on antiretroviral (ARV) therapy; helped provide care for over 2 million orphans and vulnerable children; and (although they don’t like to publicize it) has become one of the largest distributors of condoms in the world. But the program is awkwardly run. Because it funds a diverse set of programs across many executive branch agencies, the administration created an Office of the Global AIDS Coordinator (OGAC) in the State Department to oversee and coordinate programs run out of State, USAID, and the Department of Health and Human Services, including both Centers for Disease Control and the National Institutes of Health. The program has also been criticized for over-emphasizing abstinence-only initiatives, relying too heavily on treatment programs and too little on prevention, and sending too small a share of its funding to the Global

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<sup>7</sup> The FY08 appropriation was \$1.5 billion, down from \$1.7 billion the previous two years. For ongoing analyses of key MCC issues, see CGD’s MCA Monitor Web site, <http://www.cgdev.org/section/initiatives/active/mcamonitor>.



Fund. And there are concerns about the growing imbalance between the amount of funding for HIV/AIDS programs relative to funding for other health programs and systems or support for broader economic development programs; and about the long-term implications of life-long ARV support. Nevertheless, the program's initial success ensures that it will receive strong support and probably increased funding in any new administration.

### *Debt Relief*

The fourth main component of the increase was debt relief, building on the debt relief programs started during the Clinton administration. Debt relief is accounted for differently than other components of ODA. The value of debt relief is the charge to the creditor country's budget for writing off the debt in the year of the debt relief, and does not represent new funding to the recipient. Of course debt relief is beneficial to the debtor since it represents a future cash flow savings (in the form of debt service that has been forgiven). But the ODA accounting for debt relief can be misleading since it shows a large amount of assistance in the year of the write-off, even though it is not an immediate cash inflow to the debtor. Moreover, since it is a one-time deal, it is typically followed by a sharp decline in measured ODA in the following year.

Debt relief affects ODA figures every year, but three sizeable debt deals had an unusually large effect on recent numbers. Debt relief to Nigeria added \$597 million to U.S. ODA in 2006, Iraq added an enormous \$3.9 billion in 2005, and the Democratic Republic of the Congo added \$1.4 billion in 2003 and an additional \$689 million in 2006 (all in constant 2005 US dollars). Debt relief added \$4.4 billion to U.S. ODA in 2005 and an additional \$2 billion in 2006, accounting for more than 12 percent of U.S. ODA over the two years.

Excluding assistance for Iraq and Afghanistan and debt relief, global U.S. ODA increased from \$10.6 billion in 2000 to \$14.8 billion in 2006, an increase of about 40 percent. By comparison, in the previous three years it increased 44 percent from \$7.3 billion in 1997 to \$10.6 billion in 2000.

One striking feature of all of the expansion in foreign assistance has been the emphasis on bilateral rather than multilateral programs. The administration has made some efforts at the World Bank and the African Development Bank, notably the push for more grant financing (first proposed by the Clinton Administration<sup>8</sup>), deeper debt relief, and performance benchmarks for the institutions. And the United States was a key player in the establishment of the Global Fund, providing about 30 percent of its funding and playing a major role in its policy directions. Nevertheless, the Bush administration's primary focus has been on bilateral rather than multilateral foreign assistance initiatives. The share of bilateral programs in total foreign assistance for the United States—already high at 76 percent in 2000—increased sharply to 90 percent in 2006. U.S. funding for multilateral aid agencies actually fell by 7 percent in nominal terms during the Bush administration, from an average of \$2.7 billion from 1998-2001 to \$2.5 billion from 2002-06, despite the increases in overall U.S. foreign assistance. In real terms, U.S.

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<sup>8</sup> See Treasury Secretary Lawrence Summers' statement to the Development Committee at the annual meetings of the IMF and World Bank, September 2000.

multilateral contributions fell 16 percent. The United States has moved from being the largest funder of the World Bank to its second largest behind the United Kingdom. Within other donor countries and the multilateral agencies, there was a widespread perception (whether accurate is almost beside the point) that the United States was intentionally trying to weaken multilateral agencies in favor of its own bilateral programs.

The lack of attention and funding for multilateral programs represents a major missed opportunity for the United States to better leverage its aid dollars, since larger U.S. contributions to the multilaterals typically are followed by increased contributions by other members. It also weakens the ability for the United States to provide positive leadership in strengthening and shaping these agencies. The United States is undoubtedly still the strongest single voice within these agencies, but it often appears to lead by brute force (or not lead at all) rather than by building consensus. A strong multilateral approach would also reduce the burden on recipient countries, since they would have to work with fewer donor agencies. In many countries, the most effective way for the United States to support development programs should be through existing multilateral channels rather than through bilateral programs, but doing so will require a change in strategic approach.

### **The Need for Deeper Reform**

The Millennium Challenge Account, PEPFAR, and the increases in funding were significant accomplishments, but they did not add up to an overall strategy for or fundamental restructuring of U.S. foreign assistance. By the middle of the second term of the Bush administration, there was widespread recognition both inside and outside the administration that partial changes weren't enough, and that deeper changes were necessary to strengthen and modernize U.S. foreign assistance programs to better meet today's foreign policy challenges.<sup>9</sup> This was recognized not just within the Washington beltway—polls show a clear shift among Americans to much more favorable views about the role of foreign assistance in achieving important foreign policy goals (Box 2).

At the core of the challenge is that today's foreign assistance programs are hopelessly outdated. They date back to the Kennedy administration and were designed for a different time and purposes. Over the years, various programs have been added in different agencies, with the result that our foreign assistance programs are highly fragmented with little coordination across the 20 or so executive branch agencies that administer them. Sometimes these agencies work at cross purposes, with different objectives and techniques. Other times they aim to achieve the same goals, but duplicate each others' efforts without realizing it. Each agency has its own processes, rules and procedures,

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<sup>9</sup> For other discussions on the need for deeper reform see Steve Radelet, "Bush and Foreign Aid," *Foreign Affairs*, September 2003; Lael Brainard (ed), *Security by Other Means: Foreign Assistance, Global Poverty, and American Leadership* (Washington, DC: Brookings Institution Press); Steve Radelet, "U.S. Foreign Assistance After September 11<sup>th</sup>," Testimony for the House International Relations Committee (February, 2004); Stewart Patrick, "U.S. Foreign Aid Reform: Will it Fix what is Broken?" Center for Global Development Essay, September 2006; Carol Lancaster, *George Bush's Foreign Aid: Transformation or Chaos?* Center for Global Development, 2008; and "Beyond Assistance," report of the HELP Commission, December 2007.

which creates confusion and puts significant strain on recipient countries. Many programs are subject to heavy bureaucracy that ensures that a large proportion of aid money never gets close to its intended recipients. Aid flows are also heavily earmarked by Congress and subject to myriad Executive directives, procedural rules, and restrictions that add significantly to administrative costs, slow the delivery process, and weaken effectiveness.

Moreover, there is little accountability for achieving results. Much of our foreign assistance is spent on countries with governments that are not serious about development on objectives that have little to do with development. Monitoring and evaluation systems are weak and tend to focus on whether funds are spent, rather than whether programs achieved important strategic or development objectives.

To some extent these problems can be traced to the structures and procedures of USAID and other agencies that administer our assistance. But much of the problem lies with the diffusion of programs across agencies, and with the elaborate web of legislation and directives from Congress and the White House under which USAID labors. The Foreign Assistance Act of 1961, amended many times, specifies several dozen different goals, priority areas, and directives. These multiple goals are more than just an administrative burden: they make it difficult for USAID to implement effective programs and achieve clear results. Problems with the legislation and multiple executive branch directives are at the heart of many of the concerns about US foreign assistance, including heavy bureaucratic requirements, slow disbursements, and a large portion of aid dollars directed at Washington's priorities rather than the greatest needs of recipient countries.

These problems have led to a significant weakening of USAID, which once was considered one of the premier foreign assistance agencies in the world. Its staff is less than half the size of what it was 15 years ago, and it has lost many skilled staff with significant development expertise and experience. It operates today much more as a contracting agency than as an organization that can provide strong input to US policies and programs in developing countries around the world to face the challenges of the 21<sup>st</sup> century. Despite these problems USAID has managed to support many successful programs over the years, but the agency is a shadow of its former self and its programs are less effective than they could be.

**Box 2.** Key polls show that regardless of political affiliation, gender or race, a majority of Americans support foreign assistance and see it as a way to help restore American credibility and make the world a safer place.

**83%** of respondents agree effective foreign assistance can be successful in improving America's image abroad and making the country safer.<sup>1</sup>

**52%** of Republicans and **77%** of Democrats want the Bush administration to put more emphasis on diplomatic and economic methods, rather than military might, to combat terrorism.<sup>1</sup>

**68%** of respondents are dissatisfied with the position of the United States in the world today—up from **51%** in 2005.<sup>2</sup>

**68%** of respondents want their elected representatives to increase the priority of fighting HIV/AIDS; **57%** want to increase the priority of building goodwill to the United States by giving food and medical assistance.<sup>2</sup>

On average, respondents would increase the current budget for helping poor countries develop their economies from **\$7.3 billion to \$24.8 billion.**<sup>2</sup>

**62%** of respondents would support increasing funding for humanitarian and disaster assistance from **\$1.4 billion to \$26.8 billion.**<sup>2</sup>

<sup>1</sup> *American and the World, Evolving Attitudes on National Security and Foreign Policy*, The American Security Project, [http://www.americansecurityproject.org/issues/reports/america\\_and\\_the\\_world\\_evolving\\_attitudes\\_on\\_national\\_security\\_and\\_foreign\\_policy\\_data](http://www.americansecurityproject.org/issues/reports/america_and_the_world_evolving_attitudes_on_national_security_and_foreign_policy_data).

<sup>2</sup> *What Kind of Foreign Policy Does the American Public Want?*, The PIPA/Knowledge Polls Network, [http://www.worldpublicopinion.org/pipa/pdf/oct06/SecurityFP\\_Oct06\\_quaire.pdf](http://www.worldpublicopinion.org/pipa/pdf/oct06/SecurityFP_Oct06_quaire.pdf).

### *The “F” process*

The Bush administration papered over some of these problems in its first term, and chose to introduce new programs with new structures rather than tackle the deeper issues. But in its second term it began to recognize that more fundamental changes were needed. In January 2006 Secretary of State Condoleezza Rice initiated a set of reforms, dubbed the “F process,” that established a new Director of Foreign Assistance (DFA) with the rank of Deputy Secretary of State; partially integrated assistance programs managed by State and USAID; and led to the introduction of a new “Foreign Assistance Strategic Framework” announced in May 2006. The State Department and USAID began to implement many of these changes in the context of the President’s FY08 budget process.

The F process has several positive elements. First, the naming of a DFA was aimed at bringing greater coherence across significant parts of U.S. assistance programs, and is designed to enhance communication and coordination across State and USAID programs. Second, the Strategic Framework is a solid initial step toward articulating and achieving

five clear and distinct goals for foreign assistance programs. It assigns all recipient countries into one of five categories (Rebuilding, Developing, Transforming, Sustaining Partnerships, or Restrictive), reflecting current assessments of those countries circumstances. Third, the F process attempts to re-orient the budget to be more in line with the five goals and with country needs.

However, while the reform process has several positive elements, it does not add up to a coherent and comprehensive strategy. There are several major concerns. First, the substance of the reforms was at best incomplete, since a large number of programs were omitted. The F process covers only programs controlled by State and USAID, only indirectly includes the MCC and PEPFAR, and excludes programs run by more than the dozen other executive branch agencies involved in foreign assistance. It is silent on how the United States can better leverage its foreign assistance dollars through multilateral agencies. The Congressional Research Service estimates (based on the FY05 budget) that the Director of Foreign Assistance will manage just 55 percent of the foreign assistance budget, with the Department of Defense controlling 19 percent and other agencies managing 26 percent.<sup>10</sup> In short, the scope of the reforms has been limited to what the State Department can carry on its own without coordinating with other executive branch agencies or Congress. As a result, the best it can achieve is incomplete and partial reforms.

Second, the process of reform was far from ideal. By not including Congress in the deliberations, the administration missed the opportunity to build greater consensus on the path forward and to redress some of the weaknesses in the Foreign Assistance Act. In the absence of agreement with Congress on objectives, earmarks, procurement, personnel rules, and key strategies, the reforms fall far short of what is needed. Predictably, the reforms came up squarely against existing legislation during the budget process: the reforms envisage a country-based budgeting process, while existing authorities provide for sector-based allocations. By not involving Congress, the administration significantly undermined its own reform process.

Third, the administration restricted much of the discussion during the first year of planning to a small number of people, leading to substantial confusion and misunderstanding. While communication has improved since then, many key people felt marginalized from and uninformed about the process, creating resentment and further undermining support.

Fourth, while appointing a Director of Foreign Assistance to coordinate across programs is welcome, putting that person under the direct control of the Secretary of State raises significant concerns. The State Department has expertise in diplomacy and foreign policy, but not in economic development or poverty reduction. Moreover, while there are units and personnel within State that focus on long-term objectives, the Department is driven primarily by a focus on short-term objectives and immediate needs. As a result there is a danger that foreign assistance spending will shift towards addressing short-

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<sup>10</sup> Larry Nowels and Connie Veillette, "Restructuring US Foreign Aid: The Role of the Director of Foreign Assistance," Congressional Research Service, June 2006.

range and rapidly changing diplomatic and political concerns and away from achieving long-term development and institutional changes in recipient countries. While the new strategic framework calls for funding for democracies and countries with strong governance, a large share of current funds go to political partners with weak governance. The history of U.S. assistance to such countries—the Philippines under Marcos, Zaire under Mobutu, and Haiti under the Duvaliers—suggests that achieving development results or strengthening governance systems usually takes a back seat to short-term political expediency. Giving much greater control of these programs to the State Department is likely to exacerbate that problem.

## **Modernizing and Strengthening U.S. Foreign Assistance**

Partial reforms are not the solution. Making U.S. aid programs more effective requires a bold, ambitious vision for updating these programs for the 21<sup>st</sup> century and strengthening America’s role in the world. There are five key steps that should be taken.

**1. *Develop a National Foreign Assistance Strategy.*** The first step is to develop a comprehensive strategy that lays out the principal objectives and basic framework for foreign assistance as part of our broader policies for engaging with the world. The 2006 F process Strategic Framework went part way towards achieving this goal, but since it did not include all agencies and did not fully incorporate the views of Congress and others it was incomplete.

A broader framework should be developed that lays out key objectives and priorities, describes the major programs that will be used to meet these objectives, and details strategies for coordinating and communicating across agencies. It should lay out broad guidelines for assistance programs in different kinds of recipient countries, including well-governed countries; failed, failing, and fragile states; and middle-income countries with much less need for development assistance. It should describe how foreign assistance programs will be coordinated and integrated with other policy tools for working with low-income countries (e.g., trade, immigration, investment, etc.), and should summarize the budgetary requirements necessary to achieve those goals. It should lay out how our bilateral assistance programs can work with important multilateral initiatives at the World Bank, African Development Bank, Global Fund, and other key multilateral organizations. Developing this strategy should not be a one-time process: each administration should be expected to renew and revise the strategy as a Quadrennial Global Development Review, much like DOD’s Quadrennial Defense Review Report.<sup>11</sup>

**2. *Reform the Organizational Structure.*** U.S. foreign assistance cannot be fully effective when programs are spread among nearly twenty agencies with different objectives and implementing procedures, and when its key agency (USAID) has been severely weakened over time. There is broad agreement that rectifying the fragmentation and

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<sup>11</sup> Radelet (“U.S. Foreign Assistance After September 11<sup>th</sup>,” Testimony for the House International Relations Committee, February, 2004) and Patrick (“U.S. Foreign Aid Reform: Will it Fix what is Broken?” Center for Global Development Essay, September 2006) among others, earlier have called for developing a Strategy along these lines.

institutional weaknesses are at the heart of modernizing and strengthening foreign assistance to meet today's challenges. There are four broad alternatives:

- Create a new Cabinet-level Department for International Development; or
- Fundamentally rebuild and reinvigorate USAID, or create a new sub-Cabinet or independent agency for foreign assistance programs
- Name a Cabinet-level coordinator for all foreign assistance programs;
- Merge all foreign assistance programs into the State Department;

The best option for strengthening foreign assistance as a vital foreign policy tool would be to create a new cabinet-level Department for International Development. We discuss the strengths and weaknesses of each option in turn.

*Create a new Cabinet-level Department for Global Development.* This option would streamline the bureaucracy, reduce duplication, and strengthen our ability to align major programs with our key objectives. It would establish development as the primary mission of U.S. foreign assistance, elevating development to more equal standing with diplomacy and defense as the three key pillars of U.S. foreign policy. It would bring nearly all aid programs under one roof, with the exception of debt relief (which would remain at Treasury) and aid aimed primarily to support political allies (such as the current “Economic Support Fund” and military training programs), which would remain under the authority of the State Department. As such, it would allow for the independence necessary to focus on long-term development and guard against pressures to aim to achieve short-term political goals. The new department would have a mandate for policy coherence on the full range of U.S. policies—trade, climate change, migration, debt—affecting low-income countries. It would facilitate the professionalization of a core of development expertise within the U.S. government on issues of public health, climate change, agriculture, institutional development, education, infrastructure, clean water, and other development issues. A new independent department (coupled with new legislation that would change management authorities and strengthen monitoring and evaluation efforts, as discussed below), would facilitate changing the incentives within development programs so that professionals can focus on achieving results in ways that the other options would not allow (especially merging all programs into the State Department, which would muddle rather than clarify incentives). The United Kingdom took this step several years ago, and its foreign assistance programs are now considered among the best of the bilateral donors.

Opponents of this option argue that a new department would create too much independence from and competition with the State Department, that the Secretary of State should have full control on non-defense foreign policy issues, and that a development department would always be weak compared to State. Others debate this conclusion, and believe that strong coordination at the Cabinet level can ensure consistency in foreign policy without usurping the role of the Secretary of State, as with other departments involved in foreign policy.

The United States rarely creates new Cabinet agencies, and the most recent experience—the Department of Homeland Security (DHS)—did not go smoothly. But its creation was aimed at bringing together a wide range of disparate agencies with different purposes and objectives, while forming a department for development is aimed at bringing together programs that are much more similar. Perhaps a more instructive comparison is the separation of the former Department of Health, Education, and Welfare into the Departments of Education and Health and Human Services. Most observers view the separation as a key step towards elevating the importance and strengthening the effectiveness of both agencies, based on the recognition that they were aimed at achieving different underlying objectives.

Ultimately this option is the ideal way to strengthen and modernize foreign assistance programs and elevate the importance of investing in development as part of a stronger and smarter foreign policy. It will be a heavy lift politically to achieve, and will take significant efforts on the part of both the new administration and Congress. But it would create a powerful new instrument for U.S. global leadership in making a stronger and safer world. The change in attitudes and newly-placed importance on foreign assistance programs in recent years on Capitol Hill, within the Executive branch, and among Americans more broadly make this the best opportunity in decades to take the fundamental steps necessary to modernize and rebuild our foreign assistance programs.

*Fundamentally Rebuild and Reinvigorate USAID (Or a Strong Successor Agency).* Under this option, the United States would build a strong sub-Cabinet agency with responsibility for most aid programs, new underlying legislation, a direct relationship with the Office of Management and Budget on budget issues, and the ability to rebuild a strong staff with broad development expertise. Many of the programs administered by other executive branch agencies would be folded into this agency. This could be done either through a deep restructuring and rebuilding of USAID or by creating a strong successor agency. The head of the agency would also hold the title of director of foreign assistance (as under the F process reforms). A board of directors, chaired by the secretary of state, would oversee operations (much like the board of the MCC) and ensure compatibility with broad foreign policy goals. The agency would significantly increase its size (while the staff size for other agencies currently administering programs would shrink) and aim to attract a strong cadre of development professionals to work not just on managing contracts but on analyzing and developing U.S. policies for engagement in low-income countries around the world.

If done right, this option would bring many, but not all, of the benefits of a fully separate Cabinet-level department. It would be easier politically (although it would not be easy by any means), and would ease the concerns of some about maintaining the primacy of the secretary of state. It would create a strong voice within the U.S. government on issues related to development and poverty reduction, and enable the United States to regain a leadership role on these issues internationally. It would lead to much more effective programs than the current structure, or than under a merger with the State Department. For these reasons, it may be an acceptable second choice if a new Cabinet agency is not possible



But it is not as strong an option as a new agency. It would not have the same strength or independence, would not be able to attract the same caliber of professional staff, and would not be able to speak with the same stature as a Cabinet agency, either in Washington or around the world..

*Merge all Programs into the State Department.* This option has support among some foreign policy experts. Several European governments organize their aid programs in this way, and the F process was based on this idea. Advocates see foreign assistance as a foreign policy instrument that should be fully under the control of the secretary of state, and argue that merging all programs into State would streamline bureaucracy and allow for better coordination across programs.

However, merging foreign assistance programs into the State Department (or merging both into a new department) will likely weaken rather than strengthen aid programs. There are fundamental differences in the objectives, required expertise, and time frames that are relevant for most of the work of the State Department compared to implementing foreign assistance and development programs. The State Department at its core is oriented towards achieving immediate political and diplomatic objectives. The goals of development are quite different, requiring a much longer time-horizon, and focusing on supporting low-income country efforts to build institutions, train a professional workforce, deliver health and education services, and implement appropriate economic policies. Although the State Department thinks long-term and has many strong strategic planners, the department is fundamentally driven by crisis management and meeting the immediate needs of the day, not by the long-term engagement in institution-building needed for development.

Giving the State Department greater control over foreign assistance is likely to lead to an even greater share of funding going towards political and strategic allies as a *quid pro quo* for other actions where cooperation is needed immediately, rather than focused on long-term development. The United States has a long history of providing large amounts of foreign assistance to allies to meet short-term political objectives where little was achieved in terms of development. While some funding for these purposes is important for other foreign policy goals, moving all foreign assistance programs under the direction of the State Department would threaten to push the balance even further in that direction and undermine the achievement of development goals. Of course, the United States should provide assistance to its political allies when circumstances merit, but this funding should come out of different accounts controlled by the State Department with a clear mission of political support and should not be confused with development assistance.

Moreover, while the State Department has many skilled professionals with strong diplomatic skills, it does not have the expertise necessary to design and implement effective economic development programs and analyze the full set of options for U.S. engagement in low-income countries. It might be possible to build this expertise, but the development experts inside State would likely always be seen as second-tier to more traditional foreign policy experts and diplomats. The historical record is not supportive:

the State Department has been gradually assuming more responsibility for assistance programs for fifteen years, and has not built much expertise nor put development experts on a par with traditional diplomats. The experience of the U.S. Information Agency (USIA) is also instructive. USIA was folded into the State Department in 1999, and there is widespread agreement that the effectiveness of our information programs suffered as a result.

The majority report of the HELP Commission concluded that these problems could be overcome through a hybrid of this option that would entail merging all of the functions of the State Department and USAID into a new Cabinet department called the International Affairs Department. This would reorganize the entire set of international affairs operations, not just foreign assistance, and would be designed to give more prominence and stature to development programs. But while there is appeal to the idea that more than foreign assistance programs need modernization to meet today's foreign policy challenges, ultimately the proposal does not overcome the problems and concerns listed above, and would be unlikely to strengthen foreign assistance programs in the long run.

It clearly is important to properly align foreign assistance programs with broader U.S. foreign policy goals. But this does not require that foreign assistance come under the direct authority of the State Department. U.S. policies in defense, international finance, trade, and intelligence are all important foreign policy tools, but they purposively are established independently from the State Department (as was USIA until 1999). Achieving long-term success in supporting development and good governance systems in recipient countries demands programs that are coordinated across agencies and consistent with our foreign policy goals, and yet independent of direct control by the State Department to ensure the effectiveness of these programs.

*Name a Cabinet-Level Coordinator.* The president could designate one person to be responsible for coordinating across the executive branch all aid programs and other policies affecting developing countries. This option would build on the Bush administration's initial step of naming a director of foreign assistance, but would expand it to include all agencies with foreign assistance programs, and would elevate it by giving it a more senior rank. This alternative would be the easiest to implement, but is highly unlikely to make any significant difference over the long run. Without deeper changes, the coordinator would not have authority over the budgets and personnel in the many agencies that provide assistance. As with other "czar" positions, the coordinator's effectiveness would depend heavily on individual personalities and relationships with the president. It is likely that a coordinator at the National Security Council will be necessary to synchronize assistance programs—wherever they end up—with other policies that affect low-income countries. But on its own, a Cabinet-level coordinator is not a long-term solution to modernize U.S. foreign assistance programs.

*Steps Needed Regardless of the Organizational Structure.* Several supporting steps will be necessary to strengthen assistance programs regardless of the organizational structure that is ultimately decided.

- First, the new administration and Congress must rewrite the Foreign Assistance Act, as discussed below. Rewriting the legislation is not an alternative to reform; it is at the core of it. Another round of reforms or reorganization at USAID that does not address the underlying problems in the legislation will not get the job done.
- Second, the United States must beef up its development expertise both in number and with specialists in specific areas, particularly its ability to weigh in on major U.S. policy approaches in low-income countries. The weakening of USAID has led to a significant reduction in development expertise with the U.S. government as a whole, and that weaknesses must be addressed in any reform effort.
- Third, the organization must have a direct relationship with the Office of Management and Budget on budget issues, rather than having its budget go through the State Department.
- Fourth, the new agency must develop a much wider range of programmatic approaches across the wide spectrum of countries: failed and failing states, post-conflict countries on the rebound, fragile states that are showing some promise, and “MCC”-type countries with stronger governance. Aid programs should differ in the scope of activities, the length of commitment, the involvement of the recipient government in design and implementation, and involvement of non-government agencies. The right approaches in post-conflict Liberia, fragile Sudan, and democratic Ghana clearly must differ. The MCC began this differentiation, and the F-process attempted to move it further, but there is much more to be done.
- Fifth, the new organization must establish stronger monitoring and evaluation (M&E) systems. With only a few exceptions, M&E systems are weak and provide little feedback into ongoing or new programs. The United States needs strong M&E processes aimed at keeping programs on track, guiding the allocation of resources towards successful activities and away from failures, and ensuring that the lessons learned—from both successes and failures—inform the design of new programs. This will require much stronger internal mechanisms. In addition, it is crucial that measures of ultimate impact be conducted independently of the designers and implementers of the programs. As such, regardless of institutional design, the United States should support and ultimately join the International Initiative for Impact Evaluation which would join together foreign assistance providers from around the world to provide professional, independent evaluations of the impact of development initiatives.<sup>12</sup>

3. ***Rewrite the Foreign Assistance Act (FAA)***. The amended FAA of 1961 is over 500 pages long and includes a complex web of rules, regulations, multiple objectives and directives. Writing a new FAA is central to clarifying the main mission, mandate and organizational structure for U.S. foreign assistance. It would provide the opportunity to throw out the morass of personnel, procurement, and contracting regulations and other rules that undermine the effectiveness of USAID and other agencies, and to reduce the extensive amount of earmarking and “tied aid”—much of it well-intentioned—that

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<sup>12</sup> For more on this proposal, see “When Will We Ever Learn? Closing the Evaluation Gap.” [http://www.cgdev.org/section/initiatives/\\_active/evalgap](http://www.cgdev.org/section/initiatives/_active/evalgap)

severely cripples the ability of agencies to effectively allocate funds to the highest priority areas.

Rewriting the FAA would also provide the opportunity to strengthen and clarify the budget process. The budget should be at the center of designing clear priorities and tradeoffs for allocating foreign assistance funds. However, since foreign assistance activities are scattered throughout several accounts with different authorizations, it is difficult to determine where and how we spend our assistance dollars.

Writing a new FAA undoubtedly will be a difficult, time-consuming and risky process, as there are many groups that will fight to protect their interests and there is a danger in opening a Pandora's box. But there is little chance of modernizing the U.S. foreign assistance program and making it an effective tool for today's challenges in the absence of new legislation.

**4. *Place a Higher Priority on Multilateral Channels of Assistance.*** The United States provides a very small share of its foreign assistance—just 10 percent in 2006—through multilateral channels; other major donors average 33 percent. This imbalance is a missed opportunity for the United States to leverage its funding and to exert greater influence over the programs and priorities of the major multilateral agencies. The United States provides 15-20 percent of the funding for the major multilaterals and other shareholders look to the United States to take the lead in determining their own funding levels. Many shareholders feel that the United States has abandoned the multilaterals. There is no question that the performance of the major multilateral agencies can be strengthened. But the United States can only play a diminished role in the debates and efforts to reform these organizations when it provides such a small share of funding.

The next administration should work more closely with and strengthen multilateral channels of foreign assistance, and allocate a greater share of funding for these organizations. Responsibility for the multilateral development banks currently rests with Treasury, and could shift over to a new Cabinet department (or strong sub-Cabinet agency). There are pros and cons to such a shift. Moving this responsibility would allow for stronger coordination between our bilateral and multilateral approaches and would place authority for multilateral development bank policy in the context of the full range of development policies affecting low-income countries, but it would separate it from IMF and debt relief policies, which would remain at Treasury. Treasury does not have strong expertise in development, but neither does USAID currently have strong expertise in economic growth and the U.S. role in multilateral development agencies. Placement of this responsibility could work either way. But either way, it will require beefing up the expertise in either Treasury or USAID, and will require strengthening channels of communication and joint decision-making between the two agencies.

**5. *Increase the Amount and Improve the Allocation of Funding.*** More money by itself will not help the United States to better achieve its foreign policy goals in developing countries. But more money, better spent, is an important part of the answer. The steps outlined above, coupled with an improved allocation of funding across countries and

programs, are central to spending U.S. funds more effectively, but additional funding also will be necessary. Although the increases in funding in recent years are welcome, they were on top of a very low base, and are inadequate for the United States to fight poverty, state failure, and instability in low-income countries around the world.<sup>13</sup>

## Conclusion

The Bush administration made much of elevating development to one of three prongs of its foreign policy alongside defense and diplomacy. However, a huge imbalance remains: the defense budget accounted for 21.5 percent of the administration's FY08 budget request, while funding for development-related assistance was just 0.4 percent.<sup>14</sup> While there is no question that the defense budget should be larger than development funding, a ratio of 50:1 is clearly out of balance at a time when stronger and more diversified foreign policy tools are required to achieve today's objectives. Not only are the relative amounts out of balance, the level of spending to achieve development objectives is still too low. As one example, net ODA from the United States to sub-Saharan Africa in 2006 amounted to about \$6.6 billion, equivalent to about \$9 per African, hardly enough for the United States to play a lead role in helping countries battle poverty.

This view is now widely shared by foreign policy experts, including those outside of the traditional development community. Secretary of Defense Robert Gates forcefully made the case for more funding for operations outside his department:

Funding for non-military foreign-affairs programs has increased since 2001, but it remains disproportionately small relative to what we spend on the military and to the importance of such capabilities... The total foreign affairs budget request for the State Department is \$36 billion – less than what the Pentagon spends on health care alone... What is clear to me is that there is a need for a dramatic increase in spending on the civilian instruments of national security – diplomacy, strategic communications, foreign assistance, civic action, and economic reconstruction and development.”<sup>15</sup>

U.S. foreign assistance also can be strengthened by improving the allocation of funding. Forty-four percent of U.S. foreign assistance spending goes to just six countries, all allies in the war on terror or the war on drugs. The other 56 percent is spread among nearly 100 other countries. One of the most striking patterns is that the United States provides 40 percent of its assistance to middle-income countries, and just 34 percent to low-income countries (Figure 2). On average other donors do the reverse: they provide 25 percent to middle-income countries and 51 percent to low-income countries. The U.S. provided

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<sup>13</sup> For more analysis on these points, see “Billions for War, Pennies for the Poor: Moving the President's FY 2008 Budget from Hard Power to Smart Power” by Samuel Bazzi, Sheila Herrling, and Stewart Patrick (Washington, DC: Center for Global Development, 2007)..

<sup>14</sup> Ibid.

<sup>15</sup> Robert Gates, Landon Lecture, Kansas State University, November 26 2007. <http://www.defenselink.mil/speeches/speech.aspx?speechid=1199>

middle-income Macedonia with an average of \$28 per person per year between 2002 and 2004, while much poorer Nicaragua received just \$12. Cyprus received \$14 per person while Bangladesh received just \$0.46 per person. Between 2002 and 2004, for the eighty-one countries classified by the World Bank as low income (with per capita incomes below about \$1,500), the median amount of assistance provided by the U.S. was about \$3.50 per person per year in the recipient country. For thirty lower-middle income countries (with per capita incomes between approximately \$1,500 and \$3,000), the median received was \$5.43 per person. For countries with incomes greater than \$3,000, the median was \$10.56 per capita—more than three times larger than for low-income countries. The United States provided Jordan with assistance amounting to \$100 per capita between 2002 and 2004, and Israel received \$90 per capita. No single low-income country other than Iraq and Afghanistan received as much as \$30 per person, and only a handful received more than \$15 per person.

**Table 2. Shares of U.S. Bilateral foreign assistance (all figures for 2006 Net ODA)**

	Shares of Bilateral Foreign Assistance Funding	
	U.S.	Average for other DAC Donors
Largest Six Recipients	44%	41%
Low-Income Countries	35%	51%
Middle-Income Countries	41%	25%
Sub-Saharan Africa	26%	42%
Multilateral	10%*	33%*

\* The figures for multilateral assistance are shares of total U.S. net ODA flows.

In addition, U.S. assistance goes to poorly governed countries with weak policies almost as much as it does to countries with stronger governance, better policies, and a demonstrated commitment to development. Relatively well-governed Tanzania received just \$2 in aid per person from the United States, on average, between 2002 and 2004, while poorly governed Angola received more than four times as much at \$9 per person. Ghana, another relatively well-governed country, received only about \$4 per person, while Eritrea received \$17 per person. While U.S. government rhetoric strongly supports democracies, it spends a relatively small share of our foreign assistance supporting them. It also spends a relatively small share of its funding in sub-Saharan Africa, the world's poorest continent. The United States can and should do a much better job of getting the right kind of assistance in the right amounts to the right countries to fight poverty, address some of the root causes of state failure, and support democracies around the world.<sup>16</sup>

Taking on these challenges will not be easy. Modernizing development assistance into an effective instrument for smart and strong U.S. global leadership will require major organizational and legislative changes and changing bureaucratic mindsets. Several attempts at modest reorganization or rewriting the FAA have been made in the last two

<sup>16</sup> Ibid.

decades; all fell short because of lack of support in either the administration or on Capitol Hill. But today there is strong backing on both sides of the aisle for elevating the importance of development, with growing consensus around missions, mandates, and strategies. There is a certain Nixon-goes-to-China flavor in the Bush administration's embrace of development programs that has opened the door for a true bipartisan effort. It is time to take advantage of this rare opportunity to modernize and strengthen U.S. development assistance to more effectively combat poverty, widen the circle of development and prosperity, fight terrorism, and further other U.S. strategic interests abroad.