

## Making the Case for Engaging America in Development

It was less than three decades ago that U.S. foreign policy was largely shaped by a world dominated by two opposing powers, the United States and the Soviet Union. Such a bipolar world was relatively simple. The USSR was dangerous, and the threat of miscalculation and nuclear war was a constant in our lives.

Paradoxically, the challenges of that era were more conventional and predictable than what we face today. Then, it meant maintaining the status quo, not upsetting the equilibrium, and keeping the superpowers at arm's length. Today, the old international order is undergoing a fundamental transformation, bringing forth a multipolar world fraught with unanticipated challenges and threats coming from every corner of the globe.

These complex challenges have come into full bloom in the first decade of the 21st century—global terrorism, pandemic disease, population pressures and migration, and climate change, to name but a few. These are challenges that cannot be solved using the tools and template of the last century. It has always been the case that the

United States' ability to influence global events depends as much on how we leverage the civilian tools of foreign policy as how we flex our military muscle, but that reality is more sharply in focus today than ever before.

Compounding the difficulty of trying to use the different instruments of foreign policy is a sluggish economic recovery and a budget environment steeped in perpetual and deepening crisis and increasing volatility. In such an atmosphere, leveraging these civilian tools—diplomacy and particularly development—is indispensable if the United States is to maintain its global leadership position.

Above all, having those tools available and sharpened for use requires policymakers in the executive branch to understand what motivates and restricts the Congress in the area of international affairs and how to justify to U.S. citizens the use of scarce resources for this purpose. Critical to any justification is a clearer understanding of the complex and opaque nature of foreign policy priorities, a greater appreciation of the return that Americans



**A man builds a shack at the makeshift camp Champ de Mars in Port-au-Prince on January 27, 2010, about two weeks after the magnitude 7.0 earthquake that destroyed much of the capital and surrounding areas. The U.S. public responded rapidly to efforts to provide much-needed relief. | AFP Photo: Roberto Schmidt**

receive on their investment, and what it means for the nation's economic and physical security.

Any assessment of the appropriate level of resources required for international affairs first requires a definition of what U.S. policy intends to achieve in the international arena. At its most basic level, foreign affairs resources are used to project military and civilian power to protect the safety of U.S. citizens at home and abroad. This includes responding to immediate threats as well as anticipating and countering the emerging ones and supporting alliances that contribute to shared security. In more nuanced ways, these same resources are utilized to protect U.S. economic interests, grow trade, and build markets.

Equally important, and differently from most other countries that dispense foreign assistance, the United States projects its values through interventions that promote democracy and human rights and assist people struggling from disease and natural disasters. The United States also provides assistance that reinforces and maintains peace between neighbors in many regions of the world. Many of the factors motivating these investments will remain in place for the coming decades. Some will diminish while others will grow in importance. But all play a part in defining how the United States maintains its global role.

President Kennedy crafted a structure for foreign assistance that endures today, 15 years

after an earlier President and Secretary of State designed the Marshall Plan to rebuild a Europe devastated by war and politically teetering on the edge of homegrown Communist party takeover. Like President Truman and General George C. Marshall before him, Kennedy recognized—in an age before cell phones, iPads, and the Internet—that our nation’s security was closely connected with the fate of others thousands of miles away. And in the years since the tragedy of September 11th, we have come to realize that distance from events in the poorest and most dangerous corners of the world provides no cushion for our safety.

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Even as U.S. investments in Iraqi and Afghan stability decrease, the threat of global terrorism continues. Though it suffers from greatly diminished resources and a decimated leadership structure, al-Qaeda and its allies need only willing recruits and a willing or weak state in which to prepare for future attacks. That fact has already drawn U.S. intervention in places like Yemen, Somalia, and Sudan. The goal of these interventions in these and other areas is to prevent global terrorists from threatening U.S. civilians without requiring large-scale military action. While military intervention may initially be

required, sustaining such interventions ultimately requires U.S. civilian initiatives like stabilization and economic assistance to replace military forces.

As a global power, the United States has a wide range of interests supported by the development of varied and complex relationships circling the globe. It faces profound opportunities and challenges in Asia, both in providing military support for regional allies, and developing key trade relationships that will add growth to the United States’ economy. Americans have interests in their immediate southern neighborhood, promoting beneficial trade links with Central and South America, combating drug cartels and countering the spread of anti-U.S. political ideologies. The United States targets assistance to Africa to combat the spread of diseases and stem civil conflicts that threaten to destabilize the region, as well as to develop trading relationships in a globally competitive environment.

These issues represent a portion of key U.S. interests that must be considered when deciding what resources should be devoted to international affairs. Investments in development programs that build institutions and support better local governance and economic growth among future trade partners yield benefits to U.S. long-term security. Greater public understanding of what U.S. policy intends to achieve, and what the international affairs budget represents, is vital in maintaining support for the resources needed to accomplish key goals.

But achieving such understanding and support is no easy task. The American public’s doubt about the value of foreign assistance is deep, but it is not new. Marshall designed and led one of the most recognized and well-regarded foreign assistance programs in U.S. history. In order to build public, media, and congressional support for what would arguably become the most successful

foreign policy initiative in the 20th century—the Marshall Plan—he acknowledged and understood this skepticism and proceeded to actively explain to the public why this plan was important to the future of the United States. The Marshall Plan Mission Statement captures that explanation and is a reminder of how U.S. support for foreign assistance was achieved in an earlier era:

*To promote world peace and the general welfare, national interest, and foreign policy of the United States through economic, financial, and other measures necessary to the maintenance of conditions abroad in which free institutions may survive and consistent with the maintenance of the strength and stability of the United States.*

What is less understood is the remarkable consistency in the core priorities of the international affairs budget since implementation of the Marshall Plan in the years following the Second World War. The dramatic changes in the landscape of foreign policy since then—the end of the Cold War; the spread of HIV/AIDS; severe food shortages; wars in Korea and Vietnam; conflicts in the Persian Gulf, Iraq, and Afghanistan; and the emergence of religious extremism—have brought with them new and shifting accounts in the international affairs budget. Yet U.S. foreign assistance remains as strategic as it is humane at its basic foundation.

Today, our motivation for providing resources to bolster economic growth in vulnerable countries and communities echoes the Marshall Plan's commitment to free markets and open societies in post-war Europe. It continues to promote peace and security, economic growth and stability, and democratic and humanitarian values abroad that are deemed vital to protecting U.S. interests at home. Although the United States has always recognized and genuinely acted on a moral obligation

to help the world's poorest, such aid is not solely given for charitable reasons. It is strongly motivated by the view that a nation with a clear development path will be a more reliable ally and a stronger trading partner, provide more opportunities for foreign direct investment, and be less likely to harbor terrorists.

To be clear, of all the motivations that drive our foreign assistance programs, none is more important for many U.S. citizens than the moral or altruistic argument: we give foreign assistance because we can and because we should. We give because giving is the right thing to do. It is a core value of the United States.

U.S. democracy and humanitarian assistance represents the building blocks of a U.S. value system that include beliefs in democratic institutions, human rights, and a moral obligation to help those in need. At its core is humanitarian assistance, which is grounded in the ability to assist those in crisis situations through international disaster, famine assistance, and food aid programs. The rest of the world looks to the United States for leadership, not only because of the wealth and power we possess but also because of our generosity and values—especially in times of crisis. When Pakistan is afflicted by floods, Sudan by drought, or when a tsunami washes over Indonesia, the United States ignores politics and extends a helping hand. And the U.S. commitment to democratic principles and institutions, seemingly a part of the national DNA, continues to be a significant part of international affairs priorities. Although this compassionate side of the American public may not always translate to support for funding for foreign assistance programs, it is a core value that is represented throughout much of our programs abroad.

Foreign assistance is much more than a one-way transaction—particularly in an increasingly





**A mural painted on a USAID-funded transitional shelter in Delmas 62, Port-au-Prince, Haiti. Photos taken on Dec. 15, 2010.** | Photo: Ben Edwards/USAID

globalized economy. Today's development work secures tomorrow's trading partners, who in turn create the demand for U.S. exports that ultimately creates U.S. jobs. A good example of this is South Korea, which, through most of 1950–1960 received the largest amount of U.S. foreign assistance and today is our seventh largest trading partner, with U.S. exports reaching nearly \$40 billion annually. As the middle class in the developing world expands (and 300 million Chinese and Indian citizens alone have moved into the middle class in the last decade), the impact will be felt here at home—not just on Wall Street, but on Main Street.

USAID Administrator Rajiv Shah puts it very succinctly: “By doing good, we do well.” Last year,

the United States exported a little more than \$1.25 trillion in goods and services. Half of those exports went to developing countries. That constitutes a \$600 billion piece of our economic well-being that depends on developing countries—not Japan and Germany, but the likes of Indonesia and Liberia. And 80% comes not from big corporations but from small and medium-sized businesses scattered across the United States.

There is a third argument beyond the moral and economic ones, and that is the national security case for continued global engagement. As the tragic events of September 11th demonstrated, failed states provide breeding grounds for extremism. Military leaders understand this, and also understand that development is a key pillar to

ensuring stability abroad and creating the conditions for Iraq and Afghanistan to have a stable, democratic government.

What this boils down to is prevention.

Prevention is always a tough sell, even when people talk about their own health. But it is especially tough in Washington. One can only imagine how differently events might have unfolded if greater emphasis had been placed on prevention in Afghanistan in the 1990s instead of leaving the Afghanistan-Pakistan border to become a training ground for al-Qaeda terrorists. Simply put, building more stable and healthy societies abroad contributes to a more secure United States.

This is why Robert Gates never missed an opportunity during his tenure as Secretary of Defense to remind people that, “development is a lot cheaper than sending soldiers,” and why the Commander of U.S. Forces in Afghanistan Lieutenant General John Allen said two years ago: “In many respects, USAID’s efforts can do as much—over the long term—to prevent conflict as the deterrent effect of a carrier strike group or a marine expeditionary force.”<sup>1</sup>

Such sentiments may be understood by policymakers in Washington, but inevitably collide with harsh fiscal realities. Even as the international affairs budget is proposed by the President and approved by the Congress each year, the U.S. public and its elected leaders continue to be engaged in a debate that at its core is about defining national priorities. In addition to having fewer resources available to them as a result of the economic recession, U.S. policymakers are also compelled to confront an unsustainably large public debt, the accumulated result of decades of

deficits in discretionary spending and uncontrolled growth in entitlement programs.

In the current austere fiscal environment, all agency budgets are being constrained. Annual spending caps through FY 2021 were enacted as part of the Budget Control Act of 2011, which also called for further debt reductions to be offered by a special congressional committee and voted on by the full Congress. Although the special committee ultimately failed, efforts continue to rein in the deficit and slow the growth of the public debt. This is a process likely to take several years, during which the public and its elected leaders will ultimately be forced to make tough decisions about what areas of spending are more important than others.

Securing a high priority for international affairs funding has always been difficult at best, suffering from numerous inherent disadvantages. Among the hurdles is a series of enduring public misconceptions about the size and scope of the international affairs budget, and especially its foreign assistance components. These misconceptions include the following notions:

- **The international affairs budget makes up a large share of the U.S. budget.** A large share of the public believes the international affairs budget accounts for somewhere between 15%–25% of federal spending.<sup>2</sup> In reality it constitutes just 1% of the federal budget, and therefore can never be a major source of savings that legislators could use to balance the budget.
- **Foreign assistance has no real impact.** In reality, many economic and social indicators of country stabilization are improving steadily, such as better access to basic health care, food,

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1 “Exclusive Interview with CENTCOM’s Lt. Gen. John R. Allen,” *Frontlines*, April/May 2011, [http://www.usaid.gov/press/frontlines/fl\\_apr11/FL\\_apr11\\_ALLEN.html](http://www.usaid.gov/press/frontlines/fl_apr11/FL_apr11_ALLEN.html), accessed April 4, 2012.

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2 “American Public Opinion on Foreign Aid,” World Public Opinion. org Questionnaire, November 30, 2010, [www.worldpublicopinion.org/pipa/pdf/nov10/ForeignAid\\_Nov10\\_quaire.pdf](http://www.worldpublicopinion.org/pipa/pdf/nov10/ForeignAid_Nov10_quaire.pdf), accessed March 29, 2012.

and clean water, education of women and girls, and leveling of population growth rates. The number of people living under the \$1.25 per day poverty line declined from 1.9 billion in 1981 to 1.3 billion in 2008, and under-5 mortality rates have fallen from 103 per 1,000 in 1980 to 47 per 1,000 in 2010.<sup>3</sup> Moreover, the evidence of assistance helping propel countries such as Taiwan, South Korea, or Turkey onto a trajectory of spectacular economic growth is persuasive. But many U.S. citizens believe that all foreign aid is just wasted dollars. Slow and steady progress rarely makes headlines.

- **Foreign assistance is an endless drain on resources.** Again, the reality is that many aid recipients, such as India, Brazil, South Korea, and Poland, are now aid donors. Nonetheless, the large number of countries that receive assistance gives the impression that aid is a perpetual windfall for recipient countries.
- **Foreign assistance funds are handouts that don't benefit the United States.** Actually, only a small portion of U.S. assistance is cash transferred to foreign governments. Much of foreign assistance money is used to hire and deploy Americans to carry out development programs and incentivize local economic activity that often promotes trade with U.S. companies. This is not the prevailing image among the public.
- **Most aid is wasted.** This view is not much different from how the public views domestic spending programs. Nonetheless, the very fact that it is taxpayer dollars being spent abroad makes the “waste” argument more powerful and difficult to dispel.

Overcoming public misconceptions about

foreign affairs funding exacerbates the difficulty for those arguing international affairs deserves an equitable budget priority. Competition with domestic programs significantly disadvantages the international affairs budget when it comes to developing a domestic constituency for investing in foreign affairs. Most U.S. citizens have little direct knowledge of how foreign affairs funds are spent, and most have no direct contact with the U.S. professionals who carry out the civilian side of national security policy.

On the other side of the ledger, in recent years there has been a growing recognition and public acknowledgment by military leaders of the value of investing resources in foreign assistance, particularly development assistance. These military leaders have supported assertions made by civilian leaders that foreign affairs funding not only contributes significantly to U.S. national security but actually saves money in the long run by preventing military conflict, which is far more costly both in terms of human life and squandering resources.

Former Defense Secretary Robert Gates posed the question, “How do you prevent conflict; how do you create the conditions so we don't have to send soldiers?” His answer: “through development.” Secretary Gates went so far as to lobby directly for more funds for the Department of State in the 2010 budget. As reported in the *Marine Corps Times*, Senate Budget Committee Chairman Kent Conrad said Gates argued in a phone conversation with him that it was in the Pentagon's interest to have a healthier foreign aid budget. Underscoring the precedent-setting nature of the call, Conrad said, “I have never before in my 22 years on the Budget Committee had the secretary of defense call me to support the budget for the State Department.”

The current Secretary of Defense, Leon Panetta, has followed a similar line as his

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<sup>3</sup> *World Bank: World Development Indicators*, “Mortality Rate, Under 5 (per 1,000 live births),” <http://data.worldbank.org/indicator/SH.DYN.MORT>, accessed April 6, 2012.

predecessor, saying: “Our national security is our military power, our Defense Department, but it’s also our diplomatic power and the State Department.” Those words take on more significance in light of congressional action to combine the foreign affairs budget in a national security category with Department of Defense funding. Of course, Secretary Panetta has spoken out strongly against further deep cuts to defense spending. As the pressure to find budget savings mounts, and the funding comes from the same pot, he may be forced to defend his own budget over the needs of the Department of State. At less than one-tenth the size of the defense budget, the international affairs budget will always be overshadowed by its military counterpart. But with a continuing appreciation by military leaders of the important national security role of international affairs funding, and an explicit recognition by military leaders of the fact that investments in development and diplomacy save money over the long term, the foreign affairs budget seems better positioned to compete for scarce resources within the national security category than outside of it.

The Congress and the disparate array of aid agencies are facing the fierce headwinds of an unforgiving budget environment. Prudent decisions must grow from an understanding of what the international affairs budget entails and how each element connects with national goals. It is an understanding that must be informed by factual information that counters the widely held misconceptions that often poison perceptions of foreign assistance. Armed with facts and understanding, U.S. citizens and their elected officials can make intelligent choices about spending priorities. But it must be more than a debate over funding levels for specific agencies. It must also recognize and support the need to maximize the efficiency of every taxpayer dollar appropriated to each priority.

The focus has to be on how we can do development better. With the restraints of antiquated laws and a byzantine executive structure, U.S. foreign assistance programs have faced challenges, including lack of a single, defined vision; diminished capacity for monitoring and evaluating programs; wasteful regulations; and coordination issues among the 12 departments, 25 agencies, and almost 60 federal offices that administer foreign assistance.

It was with these challenges that the Modernizing Foreign Assistance Network (MFAN) was created. MFAN is a reform coalition comprising Washington’s international development community, including foreign-policy practitioners, policy advocates and experts, NGOs, and private-sector corporations. Its mission is to ensure that the United States plays a leading role in reducing global poverty while making our nation’s foreign assistance system more effective, efficient, and transparent. It does this by building on a bipartisan consensus for reform and working with the Administration, the Congress, and the development community to advance a reform agenda.

As MFAN impacts reform through education and advocacy, the government continues its own reform efforts, which began during the end of the Bush Administration under the leadership of USAID Administrator Henrietta Fore. Fore worked to gain support to establish the Development Leadership Initiative (DLI), which was the first initiative of its kind to enhance the Agency’s capability to effectively deliver U.S. foreign assistance and to increase its overseas presence in a manner central to achieving U.S. national interests.

In September 2010, President Obama signed the first Presidential Policy Directive on Global Development, known as the PPD. The President’s policy directive called for common-sense improvements to foreign assistance. Among them: making



sustainable economic growth the core goal of U.S. development activities, rebuilding USAID to lead U.S. development efforts, improving the process of country selectivity, and refocusing on accountability and transparency to show where our aid dollars are being spent. Most important, the PPD officially elevated development to a key pillar of U.S. foreign policy, alongside diplomacy and defense.

Other major reform initiatives are in various stages of implementation. In December 2010, the Department of State released its Quadrennial Diplomacy and Development Review to rethink the organization of assistance programs and agencies. The USAID Forward program is also working to retarget efforts on the most critical areas of U.S. interest overseas and to reorganize internally to meet those challenges more efficiently. USAID has hired 800 new professionals under the DLI, re-established its policy bureau and budget office, launched a strong monitoring and evaluation policy with a target of evaluating 200 programs this year, participated in far more National Security meetings, and initiated new implementation and procurement reforms.

The executive branch is not alone in “rethinking” foreign assistance. Although the Congress is a long way from passing legislation, there are proposals worth mentioning. Among them is the Global Partnerships Act of 2011 introduced by Foreign Affairs Committee Ranking Member Howard Berman (D-CA) to completely overhaul the foreign assistance system along the lines called for in the PPD and advocated by MFAN. Rep. Ted Poe (R-TX) has also crafted legislation to improve the transparency and accountability of U.S. foreign assistance.

These proposals include measures intended to increase the effectiveness of assistance dollars, provide greater transparency and accountability, increase efficiency, and leverage private-sector

involvement. Some of the efforts place emphasis on providing detailed information on the measurable impact of development projects to counter the perception that a large share of assistance money is wasted, and to better guide future investment.

The efforts are encouraging beginnings to transforming U.S. foreign assistance, but lasting reform will still require some heavy lifting.

Five key steps are necessary:

- There must be support for efforts to craft and pass bipartisan legislation that will modernize U.S. foreign assistance. For success to be possible, it is essential that the executive and legislative branches—with the support of the leadership in both political parties—collaborate on a robust reform effort. Ideally, legislation would entail a comprehensive overhaul of foreign assistance. More realistically, it will be done piecemeal, in smaller, easily digestible bites.
- The Congress and the Administration must empower USAID to once again assume its role as the lead development agency in an otherwise hopelessly fragmented system. Internal reforms, the DLI, and several consecutive years of critical budget increases have gone a long way toward restoring USAID’s capacity, but more needs to be done to revitalize the once-depleted Agency and elevate its role within the federal government. An empowered USAID would have the ability to lead all U.S. development assistance programs, participate as a formal member at National Security Council meetings, and fully oversee its policies and budget, including the implementation of more flexible hiring mechanisms.
- Foreign assistance programs must continue to give developing countries more ownership of and responsibility for their own development processes. This not only increases the impact of U.S. investments but also ensures mutual accountability for results. The establishment of



**South Sudanese women carry water to their home across the fields surrounding Pariang in South Sudan's Unity State on June 23, 2011. Families recall fleeing for their lives when the remote town of Jau was targeted by army bombings that destroyed the market and scattered the terrified population.** | AFP Photo: Phil Moore

the Millennium Challenge Corporation with its innovative country-led approach was an impressive first step in recognizing the value of country ownership for both the donor and the recipient. To further this progress, USAID (and other agencies) should work more closely with developing country stakeholders throughout the design, implementation, and monitoring of projects, build up local capacity—including local procurement—and collaborate with the Congress to reduce earmarks in return for greater transparency and accountability.

- We must look beyond aid alone and make better use of other development tools, including trade and partnerships with the private sector. Trade and development programs remain crucial for

developing countries to become fully integrated into the global economy, with exports now accounting for approximately 30% of their total GDP. USAID should continue and accelerate these efforts. Additionally, the U.S. private sector has the experience, capacity, and resources needed to help tackle development challenges and simultaneously open opportunities for U.S. exports. That potential must be unlocked through a stronger partnership between USAID (and other agencies) and the business community. It is a role USAID has not been comfortable with, but it is time for the Agency to recognize and learn to utilize the private sector's expertise. Examples exist, such as the World Bank's partnership with the global express-delivery industry

to help improve customs procedures in developing countries.

- Budget austerity also argues strongly for the need for better international coordination in the development arena to maximize the impact of such assistance. The number of international players in assistance programs, with potential conflict between short- and long-term development strategies, and often-divergent national goals, has always presented coordination challenges. However, the United States has engaged in a robust set of internal and external discussions on aid coordination. External discussions focus on how donors should coordinate their assistance, to what degree formulation and implementation of assistance programs should be driven by a recipient country, the relative value of bilateral programs and multilateral organizations, which were created as a means for nations to cooperate and partner on development priorities, and how to make greater use of public-private partnerships.

If these objectives can be achieved, they won't take us to the Promised Land, but they will make it much easier to secure sufficient resources for diplomacy, trade, and development. Resourcing our civilian capacity takes the burden for post-conflict reconstruction off our military. And using these tools to support indigenous economic growth will go a long way in creating the conditions where our aid is eventually no longer needed. Budget pressures cannot be wished away. The country will be forced to deal with them, but few of the reforms will be successful if they are not accompanied by adequate resources.

Fifty years after the birth of our foreign-assistance system, we are on the brink of imperative change. There is agreement by most stakeholders that U.S. foreign assistance reform must eventually take place not only as a result of budget

constraints, but as an irreplaceable—and more affordable—tool within our foreign policy and national security framework. In critical hotspots like the Middle East, programs that build democratic institutions, enhance trade capacity, and provide sustainable social and economic development are likely to be the most effective way to influence events and protect our interests. Indeed, they may be the only tools available.

There can be little doubt that foreign assistance is a cornerstone of both American foreign policy and national security. But there is also no doubt that these programs are widely misunderstood by the American public as to their size and distrusted by legislators as to their efficiency. Intelligent decision-making rests on a greater understanding of the goals, the component parts, and the outcomes of foreign assistance. The public must accept some responsibility in gaining this understanding and giving direction to their elected officials. Elected officials must continue the dialogue and respond accordingly by shaping assistance programs in the most effective and transparent manner possible. America's moral fabric, national security, and economic growth depend on doing no less.

**Jim Kolbe** serves as a Senior Transatlantic Fellow for the German Marshall Fund of the United States and is a former member of the U.S. House of Representatives.

**Glenn Nye** serves as a Senior Transatlantic Fellow for the German Marshall Fund of the United States and is a former member of the U.S. House of Representatives.

**Dodie Jones** serves as a Senior Program Officer for Congressional Affairs for the German Marshall Fund of the United States.

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