

his debate with Gerald Hyman of USAID on this. Gerald Hyman, "Debating the Transition Paradigm: Tilting at Straw Men," *Journal of Democracy*, 13, no. 3 (July, 2002), pp. 26–32. Hyman argues that USAID really does not use a transition paradigm with an overemphasis on elections, as Carothers claims, but rather they see the move to democracy in realistic perspective, with increased focus on the development of civil society, institutions, local government, anti-corruption, and conflict resolution. While the USAID bureaucracy may have a more sophisticated view of democratization, the political rhetoric over the six years since September 11 clearly has assumed a transition framework.

127. William Fisher, "The End of U.S. AID," *Jordan Times* (February 2, 2006), www.menafen.com.

128. Reuben E. Brigety, *Humanity as a Weapon of War: Sustainable Security and the Role of the U.S. Military* (Washington, DC: Center for American Progress, June, 2008).

129. Bob Woodward, *State of Denial* (New York: Simon and Schuster, 2006), p. 421.

130. Stewart Patrick, "An Integrated U.S. Approach to State Failure" (Working Paper, Center for Development, December 2008), p. 5.

131. See Stewart Patrick, "U.S. Foreign Aid Reform: Will It Fix What is Broken?" (Working Paper, Center for Global Development, September 2006), p. 10.

132. See Patrick, "U.S. Foreign Aid Reform," p. 8. The predominance was especially visible in Iraq and Afghanistan. See also Robert McMahon, "Transforming U.S. Foreign Aid," *Background Paper: Council on Foreign Relations* (Washington, DC: Publication 10176, March 17, 2006), www.cfr.org.

133. Edward Horesh, "Academics and Experts or the Death of the High Level Technical Assistant," *Development and Change*, 12, no. 4 (October 1981), p. 611. Horesh goes on, "An academic social scientist cannot take a direct hand in policy making and simultaneously remain an academic because 'academic research is general whereas policy is usually specific and in addition requires . . . knowledge of the institutions and processes in which it is to be applied.'" See p. 612.

CHALLENGES FOR THE FUTURE

Aid is not development; it doesn't do diddley-squat.

Michael Maren, *The Road to Hell*

The modern American empire colonizes minds, not territory.

Mark Hertsgaard, *The Eagle's Shadow*

[A] U.S. tactical military defeat can result in strategic political victories in the long run.

Jerry Mark Silverman, "Winning by Losing in Vietnam"

Into the Twenty-First Century

Two conflicting models of foreign aid policy compete in the marketplace of theory and practice: a top-down process of structural reform emphasizing political and economic transformation, and bottom-up activities associated with NGOs and emphasizing poverty reduction, community-based self-governance, and social empowerment through small-scale activities targeted at primary communities and directed at the individual poor family. As an organization, USAID at various times has relied on both.¹ The motivation for foreign aid has remained a combination of diplomacy and security, commercialism with a modicum of *moralism*, in part stimulated by an increasing involvement in aid debates within a multiplicity of issues among policy elites.

Ostensibly, the goals of foreign aid in 2009 remain what they were sixty years ago:²

- Reduction of material poverty through economic growth and the delivery of social services
- Promotion of good governance through democratically selected, accountable institutions

- Reversal of negative environmental trends through strategies of sustainable development³

The reality, however, is that current priorities focused on economic growth efforts implemented through MCA, political efforts at democratization, and finally a narrow focus on health issues, especially HIV/AIDs, tuberculosis, and malaria.

In this chapter, we briefly examine the foreign aid record. We look at the limited successes, trying to explain aid failures. Finally, we close with a survey of where international assistance might succeed. We are mindful of the limits of flexibility programmed into the aid process, given the program restrictions, congressional earmarks, and standard operating procedures that make policy choices scarce.⁴

Limited Successes in Foreign Aid

By 2000, there were some successes in foreign aid. As the Congressional Budget Office puts it, "With respect to development, [foreign] aid helped eradicate polio, greatly reduce the incidence of smallpox, increase life expectancy, and reduce fertility rates around the world."⁵ Between 1948 and 2006, according to the USAID 2004 *White Paper*, there was much progress in reducing infant mortality, raising agricultural production through scientific innovations, spurring economic growth, and spreading democracy.

Even where mistakes were made, some things got better. While aid in the past financed metropolitan hospitals used by urban middle classes or not-so-low-cost housing that the poor could not afford, "it is more likely today to be used for rural health clinics and paramedical workers, or 'sites-and-services' schemes which do benefit poor people."⁶

Policymakers attempted to untie bilateral foreign aid from commercial and trade preferences through international agreements, though these have not all covered technical assistance or food aid. An overall goal of USAID remains the stimulation of markets and promotion of expanded markets for US exports, a task accomplished at least in part. The key to market expansion is creation of successful market economies in LDCs. Foreign policy and aid policy made steady progress, according to USAID's own analysis, in providing increased potential for US exports. That said, Africa (and parts of Asia and the Middle East) remains underdeveloped and "nearly one in every two people in Latin America and the Caribbean live in poverty today and one in five in extreme poverty."⁷

There are countries that successfully responded to foreign aid, including South Korea, Taiwan, Poland, Chile, and Botswana to name a few. Aid for global health services (the elimination of smallpox, polio, and other childhood diseases; nutrition; family planning; education; housing; and

microcredit) are areas where donors learned from experience.⁸ There are several countries—such as India, China, South Africa, and Brazil—that expanded their capacity and productivity or have "emerging" economies.

Food and agricultural development has significantly improved through the Green Revolution and related agricultural development activities. A dozen or so former LDCs—Singapore, Taiwan, Korea, and perhaps India and China—are entering the ranks of the developed world. Some countries approached self-sufficiency in basic foods. Overall, it also should be kept in mind that it took several hundred years for Europe and North America to achieve what LDCs have accomplished in a generation.

Incremental changes in the foreign aid process are abundant. After September 11, there was increased cooperation internationally in aid, although some of this reversed because of the United States' unilateral intervention in Iraq. In the aftermath of the terrorist attack, the United States, after years of ignoring it, began to address some poverty, provided that it can determine the manner of its involvement and the cost to the American taxpayer. In the end, it is the U.S. view that "there is no alternative to rapid economic growth if the aim is the alleviation of poverty."⁹

Policymakers in both donor and recipient countries need to better focus on impacts, benefits, and costs. Costs rather than benefits from a policy result if the donor fails to "avoid interference that is needless or irrelevant to major foreign policy purposes."¹⁰ So often, aid lacks strategic planning. Quality control in foreign assistance is important.

Policymakers must look at costs and benefits, balancing the two. In Iraq, for example, USAID was "hopelessly behind" in the development of a democracy and governance plan in September 2004, relying instead on operating procedures.¹¹ Two years later, the impact of those failures became apparent as Iraq policy edged toward collapse by the end of 2006.

Foreign service officers are successful and "frequently cited by contemporary diplomats as an example of the Foreign Service at its best. But the idea that diplomatic professionalism is synonymous with expertise is under challenge by a new generation of management-oriented officials."¹² Of concern is the implementation of foreign aid as standardized in complex contracts and tied to grants that focus on statistical niceties rather than qualitative change.

One foreign aid theme links volunteerism to assistance and to development. Those involved in foreign aid have noneconomic motives. The Peace Corps ideology plays an important role in transferring these values. By 2000, work in the Peace Corps became like a union card for the development business. Volunteerism remains important, both in nonofficial and official assistance in the United States, Europe, and to a lesser extent Japan. This is an important legacy of the history of foreign aid.

NGOs continue to have an impact on foreign aid policy. Missionaries and faith-based organizations remain an important component of this influence. The intersection between government and NGOs occurred in nineteenth-century Asia and Africa, where missionaries were a major factor in the development of the British Empire. It was in this empire that the values of foreign aid were defined. This interaction of faith-based organizations, philanthropy, private and government funding, and indigenous peoples continued around the world, beginning in the 1990s.

American education is a factor in the success or failure of foreign aid programs; many education programs yielded positive results. According to a report from the 1980s, "Mission directors assigned to the more developed of the developing countries testified that large numbers of the senior policy and mid-level officials had received management training in the United States through US or international training programs."¹³

However, the basic assumptions of foreign aid are in question. Foreign aid supports economic growth, innovative technology, human resource development, organizational capacity, and investment.¹⁴ But, there is no evidence, according to Easterly, of a relationship between foreign aid and either economic growth or investment and there may be a negative relationship between the wrong kind of foreign aid and economic progress in developing countries.¹⁵ This brings into question the assumptions of MCA. Ultimately, economists argue, universal models of growth failed. Almost all foreign aid goes for either individual or collective consumption. Much of it seems to have an impact upon the urban middle class rather than the rural poor in LDCs.

When Foreign Aid Fails?

Despite limited foreign aid successes, much of foreign aid fails. Critics often blame aid failures on the capacity limitations within LDCs rather than on the aid process. The donor community must share the blame.¹⁶ In many cases, however, the overwhelming donor demands overstretched the organizational and management capacity of the LDC state. This is illustrated by LDC governments' inability to cope effectively with the detailed aid processing and management procedures that aid projects require. Cynically, according to Steve Weissman, "the aid-givers coordinate their beneficence with other levers of control, from diplomatic pressure and private 'philanthropy' to military intervention."¹⁷

Historically, three motivations attributed to donor foreign assistance are self-interest, a concern for national security, and a sense of obligation and charity as some form of humanitarian responsibility. Donors, as individuals, work toward achievement both in terms of conscience-salving and

through the performance of what Gasper calls "accountability rituals." Finally, there is a commitment to a "maturation process" that is sometimes referred to in foreign aid circles and suggests that people in poor countries are not quite adults. According to Gasper, international aid assistance should work with those in the developing world and "treat them as people, adults, and in collegial fashion, not in general as children or delinquents."¹⁸ Nonetheless, the image of childishness remains a part of the LDC image.

Policymakers assumed that US development models best served LDCs. Criticisms of this position abound. As Riggs points out, "Nevertheless, one forms the impression . . . that AID persists in thinking that American administrative technology ought to be exported, and that we have in our experience satisfactory solutions for the problems of developing countries."¹⁹ Because of this, domestic social issues intruded into foreign aid policy, especially in health. Not surprisingly, antiabortion bills and antibirth control concerns are linked to foreign aid. For twenty years, for instance, "[i]n the latest tactical victory by a resurgent anti-abortion movement in the United States, Congress has forced a drastic cut in aid that is the mainstay of family planning programs around the world."²⁰ This has implications for the fight against HIV/AIDs. Policymakers and domestic lobbyists both claim to know the needs of LDC people, even better than they do.

As early as the 1950s, donors assumed that foreign aid would provide a short-term boost to LDCs, by filling the "finance gap" a country lacked to take off toward sustained economic growth. The search was for a growth-formula-centered debate about development assistance ever since. "Many times over the past fifteen years," according to William Easterly, "we economists thought we had found the right answer to economic growth."²¹ MCA is but the latest iteration in the illusive search for the growth magic bullet.

Initially, the Harrod-Domar model—that aid finance should be invested in large-scale infrastructure, such as dams, harbors, roads, and machinery—seemed to be the answer.²² At various times, capital investment, population control, human resource development, policy reform, structural adjustment, and debt forgiveness have been employed as the elixir of international development. Despite massive amounts of foreign aid in the twentieth century, many countries remained among the poorest.

While some argued that education should be an important variable in international development, historically, researchers failed to find a direct correlation between economic growth and development and human capital growth. "The growth response to the dramatic educational expansion," in LDCs, according to Easterly, "has been distinctly disappointing."²³

Economic development occurs only when education grows within the context of political stability and good governance.

Official development aid (ODA) has been weak when it has come to technological discoveries and the support of economic growth. Most of the former, in terms of international assistance, historically have come from large private foundations.²⁴ According to Rondinelli, "AID's technical assistance for development administration during the 1950s and early 1960s was heavily influenced by the prevailing concepts and theories of economic development, [which originated in the private foundations but] reflected in the Marshall Plan and Point Four Program, which were primarily aimed at rehabilitating physical infrastructure and industrial plants, temporarily feeding large numbers of people whose sources of income had been destroyed during the war, [and] re-establishing the economies of industrial societies."²⁵

US policymakers tended to see their actions as charitable and even, as in the case of Afghanistan and Iraq, as a way to justify force to meet ideological and developmental goals. Academics and practitioners, when they intervene as consultants, affect LDC policy choices. Often, there is denial of the obvious: that foreign aid has implications for trade and commercial development.

For the past sixty years, foreign aid was governed by "the structural control patterns in the globalized world. Foreign aid, like diplomacy, propaganda, or military action is an instrument of statecraft. Foreign aid is a component of diplomacy and ultimately "a sophisticated instrument of control."²⁶ Domestic influences in donor countries also play a role in the agricultural sector, as well as in the pharmaceutical and energy industries.

Over time, USAID contractors, nonprofit grantees, and the domestic bureaucracies that operated these programs live off foreign aid and are a major source of opposition to and support for foreign aid and, in some cases, for its reform. Some of those who advocate the reform of aid call for a shift from bilateral to multilateral assistance. Others entreat for the complete separation of aid from State and a move to Treasury, the creation of a separate cabinet department, or a presidential agency headed by a person of stature. Others argue aid should be linked to US security and economic needs. Still others bemoan a loss of mission in the aid community. From this perspective, "[m]obilizing diverse energies means fostering decentralized development and selecting local initiatives [local government, private groups, individuals] over central initiatives."²⁷

The mixed motives of foreign aid also relates to process. Given the realpolitik of foreign aid, just as there are popular and elitist views of the Foreign Service so are there populist and elitist views of foreign aid policy.²⁸ Populist views correspond roughly to the bottom-up approach,

while the elitist perspectives refer to the top-down, planning methodology within the donor's power nexus. Populist formulas are popular in technical assistance circles and should be examined within the context of foreign aid program managers' policy choices.²⁹ Elitist views tend to predominate in foreign policy circles.

It is important to separate the process of foreign aid policymaking in Washington with the way that foreign aid is planned and administered in the field. Too often, policy analysis focuses on the bureaucratic processes and neglects the situation on the ground. In the field, "[e]ach mission director likes to make a personal mark with a cluster of new activity reflecting his/her own initiative. . . . Consequently mission staffs are project advocates."³⁰ Congress, like USAID field staff, insisted on its prerogative to preapprove individual USAID programs, projects, and activities.³¹

To its critics, foreign aid is part of a broader problem of state weakness because assistance almost always is directed at or gone through inefficient central government structures even though local governments, NGOs, and the private sector provide social services more effectively than the state. Too often, aid has not only defined the nature and patterns of the donor-client relationship, but it also determined what interests were served and the ways in which those modalities were achieved. Corruption, bad government, and traditional values are often the problem.

Foreign aid failures result both from international pressures and LDC domestic weakness. Our approach recognizes the responsibility of domestic LDC leaders in the management of foreign aid. LDC decision makers do make meaningful choices; however, it is important to place domestic leadership within a complex web of international and domestic factors that define foreign aid. "Just as the 'policy adviser' cannot come to grips with the administrative process," according to Edward Horesh, "still less can the professional foreigner understand the most elementary social processes unless . . . there are 'enough local professional colleagues to save the outsider from most indiscretions.'"³²

Aid often seems "intellectually disorganized, practically ineffective in too many cases, and insensitive to the political implications and social consequences of foreign interventions."³³ The wholesale spending of huge amounts of foreign aid, in and of itself, "without serious plan, is not a moral spectacle."³⁴ Foreign assistance policy demonstrates an absence of policy coherence. USAID operates under a multitude of goals and directions. In its 2002 *White Paper*, as observed above, USAID admitted it had thirty-three goals, seventy-five priority areas and a whopping 247 directives.³⁵ And yet, despite this concern, the USAID *White Paper* failed to discuss any way to eliminate any of these goals and objectives.

The foreign aid system, as it evolved in the United States and in other bilateral and multilateral organizations during the last sixty years, has largely been bureaucratic in nature, projectized in operation, and at times, has allowed for the implementation of foreign aid policies contrary to a country's national interests. As Henry Kissinger noted in the late 1960s, there was

a sort of blindness [in terms of foreign aid] in which bureaucracies run a competition with their own programs and measure success by the degree to which they fulfill their own norms, without being in a position to judge whether the norms made any sense to begin with.³⁶

The motivation for foreign aid has been political and economic, as well as ethical and humanitarian, in nature. There remains a predictability to foreign aid policy, and by 1980 "like an emergency room doctor who gives every patient an appendectomy regardless of the symptoms, the institutions treated almost every developing nation the same—with a package often referred to as 'structural adjustment.'"³⁷

For the past sixty years, donors seem remarkably ignorant of the impact of political conflict and ethnic diversity on foreign aid and technical assistance. Few understand that one or more ethnic groups are likely to benefit disproportionately from economic advances, often increasing ethnic tensions. In addition, corruption is likely to increase precipitously with increases in foreign aid "in an ethnically divided society though not in an ethnically homogeneous one. Foreign aid is a common resource that each ethnic group will try to divert to its own pockets."³⁸ By the early 1990s, issues related to ethnic identification were important factors in the success or failure of foreign aid policy.

Development specialists point to concerns about corruption, ethnic patronage, and an "entitlement mentality," along with a generalized aid dependency among Third World elites; however, a great deal of the ineffectiveness of foreign aid rests with the donors, including their choice of methodologies and priorities. Likewise, senior donor representatives can have a "board of directors" mentality in their approach to controlling their host country's public policy choices, becoming in effect authoritarian collective decision makers. A major thrust of this book has been on ways that recipient countries can manage or "deal" with the donor process.

In 2004, USAID had three overall concerns: conflict resolution, development of civil society, and relief and development from social and economic perspectives. Policymakers increasingly saw these in the broader context of homeland security and counterterrorism policy. This context

linked development assistance tightly to US foreign and security policy, including domestic security. Mark McGillivray and Howard White explain:

From the donor's point of view, aid is seen as an instrument of foreign policy, serving to: promote political and diplomatic relations with developing countries; enhance stability within countries of strategic importance; expand export markets; procure strategic imports, and; gain kudos in international fora by being seen to be a responsible, caring member of the international community helping countries in need and seeking to promote international development. Indeed, there is reasonably wide acceptance that political, strategic, commercial and (albeit often begrudgingly) humanitarian motives offer a reasonable a priori basis for explaining patterns of aid allocation among developing countries.³⁹

A Potential for Success

In the wake of September 11, George W. Bush, having found "a grandiose purpose" in foreign policy, announced his preemption doctrine, threatening a military first strike against an international threat. Foreign aid would help set the agenda in a postconflict situation. Increasingly, policymakers required international organizations to intervene during periods of social upheaval and political or economic collapse. Whether "striking first" can contribute to international development, however, remains problematic.

Historically, as we have seen, there are several motivations for foreign aid, including individual and collective altruism, particularly in terms of humanitarian assistance; military and strategic; political and diplomatic; commercial, and collective or multilateral. Self-interest defines the motives of actors in the aid process. Leaders in recipient states sometimes have private ambitions and interests on their agendas. There is a mutual but asymmetrical dependence to the relationship, and from the recipients' perspective, opportunity costs to foregoing foreign aid.

Official foreign aid and technical assistance ultimately are vehicles of a country's foreign policy. Foreign aid agencies are thus "part of an institutional framework . . . that continues to fall short of its potentials. [Foreign aid is] about politics and, crucially, the relationship between donors and recipients—not only at the higher echelons, but at all levels of contact."⁴⁰ Foreign aid as John Montgomery ruefully notes, "as a political instrument of U.S. policy is here to stay because of its usefulness and flexibility."⁴¹

Both official foreign aid and technical assistance harbor modernization assumptions wherein a transformation of society from ascriptive to meritorious and from rural to urban occurs. From a modernization perspective, a book on foreign aid and development should ideally focus on two levels of analysis: the relationship between the individual and a primary socialization process and the extent to which national ethical, normative, and moral values have an impact upon the individual.

Perhaps it is true that all of those involved in the development debate are *modernists*. From a policy perspective, the debate about foreign aid and development revolves around two issues: cultural transformation and what used to be called modernization, based on the assumption there is a set of characteristics that defines world culture in the twenty-first century, the former at two levels. First, there is the concept of identity and how one identifies oneself in relationship to family, language, religion, and culture. Second, there is the issue of social morality that ultimately is defined, at least in part, by national policy. According to Richard Sandbrook, "The new democratic [foreign aid] missionaries are perceived as ethnocentric in assuming the innate superiority of Western-style, liberal-democratic institutions."⁴²

At issue in discussing foreign aid is the chain of forces having an impact on individual and social values as a means of promoting international development. Focus is on the full spectrum of foreign aid impacts, from individual to nation. History makes it clear that institutions and institutional relationships cannot realistically be transplanted from one society to another.

It was not until the 1980s that development specialists focused on the role of institutions in development, "not only the formal organizations of government and private-sector entities but the 'humanly devised constraints that shape human interaction.'"⁴³ "Aid donors," according to Lancaster,

have found efforts to strengthen African institutions among the least effective of their activities. Indeed, evidence suggests that technical assistance has become part of the problem of institutional weakness, not the solution. . . . Despite 30 years of a heavy technical assistance present and much training, local institutions remain weak.⁴⁴

Even with outside input, it is difficult to introduce organizational change. Unfortunately, however, organizational change is sometimes seen as a given by the donor. As a former USAID administrator once put it, "At this meeting, we received a briefing by a respected management consulting group, which had been engaged to assist in framing solutions to organizational

concerns."⁴⁵ While change is often recognized, little is done. Organizational development is difficult and remains a central problem for successful development. Institutional development is even more difficult and is central to the foreign aid process; according to Des Gasper, "If one's theory of development centers not on volumes of investment but on building confidence and capacity, people, organizations and institutions, including capacity to learn, decide and mobilize resources in one's own unique situation, then co-determination in projects and policies is vital in place of conventional modes of aid."⁴⁶

Donor intervention to improve management and organizational performance will not be successful without a sustained commitment to institutional development, particularly for institutions involved in education and training. Moreover, such interventions should be unencumbered by the unrealistic time bound constraints in the project cycle. The time phasing provided in donor project documents has been hopelessly unrealistic and has called for donors to shift their assistance from financing projects to financing a time-slice of sector or subsector programs.⁴⁷

Ultimately, implementing foreign aid is a management problem. An early implementation issue relates to debates about coordination and specialization. Delegating responsibility to other departments or contractors in some situations could weaken control over the distribution of funds between functional fields. There was also a fear that proposals of special interest to individual governments could monopolize available program resources. Overall, the foreign aid dilemma often centers on the question of whether to co-opt or coerce.

Development management services involve design, monitoring, and evaluation methodologies; the development of suitable donor, donor mission, and LDC participating agency procedures; and teaching these concepts and procedures to host country cooperants.⁴⁸ To be successful, interventions need to include assistance to strengthen local- and national-level public management systems, and private sector management capacity, including: program and project analysis, project identification, design, evaluation/assessment, implementation, and monitoring activities. Public policy concerns include: policy analysis and choice, personnel systems development, organizational development, accountancy, human resource development and planning, and project management.

This adds up to operating within a very restricted project framework. Since the development of the project methodology, foreign aid has been trapped in rigid procedures that limit effectiveness and creativity. Opting for technical solutions ignores the need to address governance issues, including the management, monitoring, and if necessary, the whistle-blowing process because good governance broadly defined is the prerequisite to avoiding bad and poorly implemented economic and social policies.

Four policy areas can make a difference in terms of international development: transportation, competitive markets, agricultural extension, and transparent policymaking and good governance. In addition, a developing country needs a well-functioning credit system, stable property rights, and effective incentives for public sector employees. It is important to recast the agencies dealing with commerce and agriculture. "The Chamber of Agriculture," according to Robert Klitgaard, "should get out of the import-export business and certainly not aspire to be a marketing board. Instead, it should become an autonomous body [providing] service [to] the private sectors and functioning as its voice vis-à-vis the government."⁴⁹

Neo-imperial control models, such as those exhibited in Iraq (and to a lesser degree in Afghanistan and in many African countries), are difficult to maintain. The limited resources available means that, in the contemporary era, the Western powers could not sustain the colonial style structures, so sadly represented by the Green Zone in Iraq, which had been maintained a generation earlier. For this to change would require a massive infusion of both military and foreign assistance. Iraq and Afghanistan clearly illustrate the difficulties of this. The resources and the political will in both cases were not there to maintain intervention models long term.

There is a common assumption that aid concentrates on expanding choices for individuals and families in society. "In some ways," according to Paul Blustein, foreign aid continues to be fixated at the macro level on large institutions and resembles "the insistence on structural adjustment in the 1980s, though with less emphasis on cutting budget deficits and more emphasis on developing clean, healthy institutions such as courts."⁵⁰ A more microapproach may be wise. More attention should be given to the impact of foreign aid on individuals and groups, which collectively will have a favorable impact on those countries that are able to establish and maintain patterns of good governance.

Since 2001, the developed/developing dichotomy increasingly became a false one. Instead, a foreign aid community is made up of several interrelated groups and increasing interdependence mechanisms that cross developmental, foreign, and security policy lines. Ability to manage and take advantage of information technology is central in twenty-first century development.⁵¹ Both China and India have demonstrated their ability to do so without significant involvement of foreign assistance.

That does not mean there are not differences in economic and political status in the global political economy. An increasing division occurred between the developing countries that will be able to join the

industrial world (mostly in Asia, with a few in Latin America and eastern Europe) and whose economic takeoff was spectacular and the many other LDCs (mainly in Africa, some in Latin America, and a few in Asia and south central Europe), whose policies failed. The latter fell more deeply into international debt. There remain, however, severe obstacles in the United States around the disjointed, incremental, and unplanned way in making international assistance policy. Beyond this, there is growing consensus that solid economic policies and economic management matters more to developing countries than international assistance does.

In foreign aid policy, there is a problem of what John Montgomery calls "consistent outcomes," that is, large policy decisions lead to disappointing results.⁵² As Montgomery suggests, "Boldness [is] followed by indifference, greatness [is] permitted to degenerate into mediocrity."⁵³ In foreign aid policy, greatness in decision making can be followed by indifference in the aftermath of that decision, and as John Montgomery warns us, "the best decisions can have consequences harmful to someone."⁵⁴

Ultimately, both individuals and groups of people respond to incentives. The assumption is that donors should need to link foreign aid to prior country performance, giving the LDC government incentives to pursue growth-creating policies; however, policies that encourage incentives and entrepreneurialism require a public policy process that is both rational at the individual level and based on societal rather than narrow interests. Development occurs

when government incentives induce technological adaptation, high-quality investment in machines, and high-quality schooling. It happens when donors face incentives that induce them to give aid to countries with good policies where aid will have high payoffs, not to countries with poor policies where aid is wasted.⁵⁵

Long term, there is a consensus that foreign aid should be directed at supporting efforts by LDCs to reform their own economies and political systems. Beyond this, the donor countries should move toward cooperative mechanisms that facilitate global access and connectivity in terms of trade, the movement of people, and productivity, which also contribute to a more benign invasion of the more-isolated and less-informed individuals and communities.

Successful international development should involve trade and tariff reform and a trade environment favorable or at least equitable to LDCs. It should allow LDC citizens access to education, training, information, and

communications technology that, if not equal to more developed countries, is appropriate. Sustainability issues remain important as does “sustainability generated in circumstances of good national governance; which does not mean large government, but strong institutions which facilitate the provision of goods and services by the most appropriate means.”⁵⁶

Structuralist critics assume that foreign aid is set up to widen the economic disparities between wealthy states and LDCs. Inadvertent disparity might be a better way to put it. The perception is real, however. According to Stephen Hook, the “perceived effects of [such a] manipulation of foreign assistance include the increased reliance of LDCs on the monetary policies, consumption patterns, and export policies of core states.”⁵⁷ In 1992, according to one South African observer, the Great Powers simply makes it known that if the small nation does not do what it is told “then its aid will be cut off.”⁵⁸

This may be overexaggerated. There is room for ethical, moral, and humanitarian concerns in international assistance; however, the realist position remains alive and kicking and can be detrimental to the international development process. Ethics are a part of the framework for international assistance. To illustrate the logic of this ethical dimension, according to an early Presidential Task Force, the United States should “create a U.S. International Development Bank to carry out the bilateral lending program. The Bank should be an independent government corporation, with a full-time president serving also as chairman of a board of directors, which would be composed of government officials and private members.”⁵⁹ This suggests that in time,

U.S. international development policies may well prove to be the most important—and the most rewarding—determinant of America’s role in the world. . . . The United States has a profound national interest in cooperating with developing countries in their efforts to improve conditions of life in their societies. . . . This country should not look for gratitude or votes, or any specific short-term foreign policy gains from our participation in international development.⁶⁰

This is an ideal position but does it also represent a *realpolitik*?

Conclusion

There has been one constant defining foreign aid during the last sixty years. Critics from lesser developed states suggest that the humanitarian and development goals of development policy are distorted by aid for

donor country commercial, political, or military purposes. Given the nature of government in the twenty-first century, for foreign aid to succeed, it would have to be perceived as in the self-interest of a country’s leadership and its societies in both donor and recipient nations. That, and a perception of the realities of the need for multilateralism, are, if not a blueprint, a start in the debate about international assistance in the twenty-first century.

In the end, as we stress here, foreign aid is above all an instrument of foreign and security policy. Part of that motive is political and military; part of it is economic. There remains a component of idealism in international development efforts, however. Without that, foreign aid is no different than seeking commercial advantage, political alliance, or combating military threats.

To conclude, if not to caution, we can go back to Ralph H. Smuckler and Robert J. Berg’s wise words in 1988: “The world of the 1990s, and that of the 21st century, will be substantially different from one in which a worldwide enterprise known as ‘foreign aid’ was launched forty years ago. New circumstances make the concept of foreign aid less appropriate. To much of Asia and Latin America, the concept of ‘cooperation for development’ fits better.”⁶¹ By development cooperation, they suggest that responsibilities are widely and roughly equally shared between the two parties.

It is important to remember that the goals of the development policy can get mixed up because of the need of the organization to gain control over its social environment. There is also a need to reshape the organization and management of foreign aid. By 2000, “USAID [had] one of the most elaborate and time consuming programming systems of any aid agency.”⁶² Yet, despite or because of this, aid is ineffective.

The compelling mode for foreign and security policy, and hence foreign aid, is the national self-interests of the donor, as defined by the political leadership of a country, and in consultation with the broader international community as well as the recipient[s] of that assistance. In foreign aid, there is often a lack of mutual exchange. There are strings attached, but historically they have not always been one-sided. Unfortunately, in a post-September 11 world, most lesser developed countries have little to offer prospective donors other than markets and peace.

There remains a middle ground among critics of foreign aid. According to Larry Chang, “Between these critics and a steadily decreasing number of aid proponents are some analysts who contend that aid should not be terminated, but be concentrated on those countries that ‘can be saved,’ rather than on those desperately in need of it.”⁶³ A saving model, however, according to Rondinelli, “consisted merely of transferring American

administrative technology and 'know how' to less developed countries, much in the same way that industrial and agricultural technology and 'know how' were transferred through the Marshall Plan" (and the Point Four Model).

The view espoused here is that donors should provide foreign aid other than humanitarian assistance only when the recipient national and local authorities are clearly capable of both receiving and using this aid effectively through its own institutions in a manner that benefits the majority of its citizens. Policy is a complex combination of motives involving a variety of actors, interest groups, and members of the public. Developed countries do need to see that their self-interests are being met. In addition, civil society, nonprofit, or private-sector organizations should utilize foreign aid to foster social, economic, or political development.

Notes

1. Carol Lancaster, *Foreign Aid: Diplomacy, Development, Domestic Politics* (Chicago: University of Chicago Press, 2007).
2. Steven W. Hook, ed. *National Interest and Foreign Aid to the Millennium* (Boulder, CO: Lynne Rienner Publishers, 1996) provides a good discussion of several of these foreign aid issues.
3. David Sogge, *Give and Take: What's the Matter with Foreign Aid?* (London: Zed Books, 2002), p. 8.
4. A reality admitted by USAID itself. See "White Paper—U.S. Foreign Aid: Meeting the Challenges of the Twenty-First Century" (Washington, DC: US Agency for International Development, January 2004). Hereafter referred to as White Paper on U.S. Foreign Aid-2004.
5. *The Role of Foreign Aid in Development* (Washington, DC: Congressional Budget Office, May 1997), p. 8.
6. Robert Cassen, "The Effectiveness of Aid," *Finance & Development* (March 1986), p. 11.
7. Marcela Sanchez, "Better than Foreign Aid," *Washington Post* (January 2, 2004), p. A21.
8. Robert McMahon, "Transforming U.S. Foreign Aid," *Council on Foreign Relations Publication no. 10176* (New York: Council on Foreign Relations, March 17, 2006) www.cfr.org/publications/10176, pp. 1–5.
9. Martin Wolf, "Aid, hope and charity," *Financial Times* (November 11, 1998), p. 12.

10. John Montgomery, *The Politics of Foreign Aid: American Experience in Southeast Asia* (New York: Praeger, 1962), p. 250. See also Walter R. Sharpe, "The Institutional Framework for Technical Assistance," *International Organization*, 7, no. 3 (1953) p. 342.
11. That is according to a senior level USAID official who requested anonymity.
12. John M. Goshko, "Tradition Bows to the Demand for Management Skills," *Washington Post* (April 27, 1987), p. A1.
13. Thomas Thorsen and Kenneth Kornher, "Draft Report of the Work Group for the Review of the Programs in Management Improvement and Development Administration of the Agency for International Development" (Washington, DC: Department of State, US Agency for International Development, n.d.), p. 4.
14. See William Easterly, *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics* (Cambridge, MA: MIT Press, 2001), p. 41.
15. Ibid. and William Easterly, *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good* (New York: Penguin Press, 2006).
16. For a detailed analysis of this point, see an analysis of aid to Haiti in Terry Buss, *Haiti in the Balance* (Washington: Brookings Institution Press, 2008).
17. Steve Weissman, "Inside the Trojan Horse," *The Trojan Horse: A Radical Look at Foreign Aid*, Steve Weissman, ed. (Palo Alto, CA: Ramparts Press, 1975), p. 11.
18. Des Gasper, "Ethics and the Conduct of International Development Aid," Notes from a Speech at Graduate School of Public and International Affairs, University of Pittsburgh (Pittsburgh, March 30, 1999), p. 1.
19. Fred W. Riggs, "Memorandum: Suggested Discussion Topics Based on Dennis Rondinelli, on Rondinelli's book, *Development Administration and Foreign Aid Policy*" (Personal Communication with the author from University of Hawaii, March 1987), p. 5.
20. Barbara Crossette, "U.S. Aid Cutbacks Endangering Population Programs, U.N. Agencies Say," *New York Times* (February 16, 1996), p. A6.
21. See Easterly, *The Elusive Quest for Growth* p. 23.
22. See John Martinussen, *Society, State and Market: Guide to Competing Theories of Development* (London: Zed Books, 1995), pp. 25, 80, and 229.
23. Easterly, *The Elusive Quest for Growth*, p. 73.