The Vital Development Mission

by J. Brian Atwood

Poverty is no longer uniquely a humanitarian challenge for the developed nations of the West; it is now a first-order security problem. The evidence is now overwhelming that poverty contributes to violent conflict, helps the spread of infectious diseases, threatens global income growth and causes environmental damage.

Governments are beginning to react to this threat, but have yet to mount a collective effort sufficient to stem the tide. What is needed is an alignment of resources, cooperative action and policies that will reverse the momentum of pervasive poverty in a world whose population of poor people is expected to grow exponentially in coming decades. This alignment will not be possible until there is renewed appreciation for the development mission.

It would appear that Western governments find it easier to reach accord on development goals than to find the political will necessary to achieve them. In 2001, for example, the United Nations General Assembly adopted the Millennium Development Goals (MDGs). These goals collectively commit nations to address a series of development challenges and specified targets for them to meet, most by the year 2015. Despite an increase in official development assistance from US$56 billion in 1993 to US$78 billion in 2004, few are optimistic that these goals can be reached within this timeframe.

American leadership has been largely absent despite a significant rise in its foreign assistance spending, some 60 percent since the mid-1990s. President George W. Bush created a new development agency, the Millennium Challenge Corporation (MCC), with the promise of US$5 billion a year in new spending for poor nations deemed to “rule justly, invest in their people and encourage economic freedom.” He also pledged US$15 billion to combat HIV/AIDS, and US$1.2 billion to counter the threat of malaria in Africa.

The MDGs and the increase in resources committed to foreign aid are promising signs of a new awareness of the threat poverty holds, but thus far efforts fall far short of what is needed. I will argue here that: 1) most of the US increase in foreign assistance appropriations is non-developmental in nature and has little impact on poverty per se; 2) the utter absence of coordination within the US Government significantly reduces our ability to adopt a strategic approach to development and to play the leadership role expected of the United States in the achievement of the MDGs; and 3) the lack of coherence among development, finance and trade policies undercuts the limited investments we are making in the effort to reduce poverty.

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The Development Mission

The words “sustainable development” are said to confound the American people, members of Congress and Executive Branch policymakers in Washington. I suggest, however, that there is less confusion than strategic misinterpretation. Each of the bureaucratic entities with a piece of the Foreign Operations Appropriation pursues important objectives, and each has an interest in maximizing its individual prospects by stressing the urgency of its mission. In this zero-sum game, the case to be made for long-term investments in “sustainable development” frequently seems more obscure and somehow less relevant. Yet, these investments are essential in addressing the poverty challenge, in positioning the United States to lead the world in achieving the MDGs and reducing the widening gap between rich and poor.

Development assistance is not a gift or a reward to another nation, but a way of creating conditions that will, in the long run, aid the recipient nation, the United States, and the global community.

To date, development assistance has competed poorly with demands on Congress that are deemed more urgent. The House Foreign Operations appropriation for FY2006 was nearly US$20.27 billion. This sum includes resources for bilateral and multilateral development assistance, post-conflict aid (Iraq and Afghanistan being the most prominent), political support (the Economic Support Fund which supports recipient nations selected largely on political grounds by the State Department), and humanitarian relief. Post-conflict aid and humanitarian relief accounts have grown significantly in recent years. Approximately US$14.03 billion of the total appropriation could be categorized as “official development assistance” under the “volume” rules of the OECD’s Development Assistance Committee, but the bulk of this amount is in the form of transitional or humanitarian relief assistance and the rest is carved into various accounts and earmarks, making it difficult to use in a strategic way.

It is more essential than ever that we renew our commitment to the development mission and that we engender a broader appreciation of the meaning of development and the methodology for achieving results. Our challenge today is to exercise the political will to promote development and to accept that it is in our vital interest to do so. Development assistance is not a gift or a reward to another nation, but a way of creating conditions that will, in the long run, aid the recipient nation, the United States, and the global community.

The development mission will complement other efforts over time. It is distinct from the diplomatic mission, but in improving conditions and creating stability and prosperity, the development mission will support American diplomacy. The development mission is distinct from America’s efforts to foster trade and commerce, but over time it will enhance commercial prospects by creating new markets and trading partners. The development mission is distinct from the security mission, but

The Whitehead Journal of Diplomacy and International Relations
over time it will create conditions that will reduce the prospect of violent conflict and gain friends for America rather than allow new enemies to emerge. The development mission is distinct from the public relations mission, but it will enhance our national image as it becomes the lens through which other peoples view Western values and our commitment to social justice, equal opportunity, and democratic freedoms.

Achieving Development Results

What then is development and how does one achieve enduring development results? A precise definition was provided by former USAID Deputy Administrator and scholar Dr. Carol Lancaster, who wrote that “development makes land, labor and capital more productive.”\(^{10}\) The Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD), described

\[\text{Foreign aid (or Official Development Assistance)... as the transfer abroad of public resources on concessional terms... a significant objective of which is to bring about an improvement in economic, political, or social conditions in developing countries.}\]^{11}

Development has proven easier to define than to achieve on a sustainable basis. Studies have shown that the effectiveness of external aid is dependent on two factors above all others: 1) the national policies of the host government; and 2) the ability of the people to participate in the development process.\(^{12}\) A partnership with a government that shares a sophisticated vision of the development challenge, and is willing to act on it, is indispensable. This does not always mean that political will translates into capacity, but the desire to reform is essential and must be reflected not only in the national leadership, but in the polity as a whole. External aid can be crucial in providing a safety net for the process of change that development creates. It can provide important technical advice to government ministries and it can help build human capacity where it is lacking. What it cannot be is a substitute for a sound national development strategy, good economic policies and a reasonably healthy, non-corrupt political system.

A healthy political system assures the democratic participation of the people in the development process.

A healthy political system assures the democratic participation of the people in the development process. This facilitates the expression of free will through institutions and laws that preserve the right to that expression. Study after study supports the notion that development results are better achieved when the people affected by development initiatives have an opportunity to participate in the decisions that impact on them.\(^{13}\) This does not mean that democratic institutions need to be fully formed, but it does require a government to commit itself to a democratic path and to consult widely when people’s interests are affected.

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If cooperation with a host government and the participation of its people are possible, the minimal requirements exist for partnership and results. That is just the first step along the road. The next is to devise a comprehensive strategy. Here, the host government, working with experts, must define its goals and prioritize them.

Every society holds different challenges, but a framework for development can help. I have found it useful to refer to a list of seven sources of physical and social capital devised by scholar and development entrepreneur Michael Fairbanks. They include:

1. Natural endowments such as location, subsoil assets, forests, beaches and climate
2. Financial resources of a nation, such as savings and international reserves
3. Humanly made capital, such as buildings, bridges, roads and telecommunications assets
4. Institutional capital, such as legal protections of tangible and intangible property, efficient government departments, and firms that maximize value to shareholders and compensate and train workers
5. Knowledge resources, such as international patents and university and think tank capacities
6. Human capital, which represents skills, insights, capabilities
7. Cultural capital, which means not only the explicit articulations of culture like music, language and ritualistic tradition, but also attitudes and values that are linked to innovation.¹⁴

These seven attributes, or potential attributes, are shared by all nations in varying degrees. Understanding what needs to be done to improve the status of each requires a deep knowledge of the society and the political standing to act on it. The first three sources of wealth are more easily measurable and are often the focus of the international community. However, it is the four remaining items of social capital that form the essence of the development challenge in addition to the leadership challenge for government. Creating functioning legal systems, knowledge assets and human capital is often the most difficult in the poorest countries. Exploiting culture for development is a political challenge in that it means influencing society to accentuate the positive while managing the negative.

**Development Cooperation**

If a foreign agency is to be effective in assisting a nation pursuing a development strategy, it must have adequate numbers of professionals on the ground (including a large number of host-country citizens), and programmatic flexibility to direct resources where needed. Its professional representatives must have the standing and knowledge to coordinate with the government and with other donors. The skills needed are managerial, diplomatic, and technical, combined with cultural sensitivity and language capacity.
There is perhaps no better example of a coordinated effort to assist in the creation of a viable strategy and its implementation than in Mali in the late 1990s. President Alpha Oumar Konare, one of Africa’s new breed of independent, well-educated, and democratic leaders, took hold of his country’s destiny by developing a national strategy working with foreign donors. The origins of this initiative reveal a model for collaboration.

Konare asked to see the USAID Mission Director early in his term of office. The mission director had just done a study of where investments were being made by all donors to counter the HIV/AIDS epidemic in his country. He came in with transparent overlays which he placed over a map of Mali. It showed that most prevention interventions—educational programs and the provision of contraceptives—were being made in areas that were not principal sources of the HIV/AIDS virus. Largely missing, for example, were interventions along truck routes and parts of Bamako, the capital, where the sex trade was prevalent.

Konare decided he should examine other development investments in his country as well. It was not long before the Konare government was able to take ownership of a comprehensive development strategy. This local initiative was so impressive, and relatively rare, that it was discussed at the annual meeting of development ministers at the DAC. Soon thereafter donors committed to make the Mali experiment a model of cooperation. Donors agreed to be more flexible in their distribution of funds and to follow the Mali government’s lead.

The success in Mali led to a similar experiment in Bolivia. The window of opportunity, however, soon closed in these countries, but when a host government and donor agencies are operating in sync, the prospects for development progress are at their greatest.

Host government ownership of a strategy and the participation of its people are important, but even when these factors exist, the record of foreign assistance is mixed. Interventions in certain sectors in partnership with host governments may create very positive results while overall poverty persists. President Konare lifted his country and improved its status overall, but Mali is still a poor country. Human capacity remains the biggest challenge of the world’s poorest nations.

The absence of adequate healthcare systems in the face of ravaging infectious disease saps the productive capacity of these nations. Education systems that leave most girls out of the system, or achieve no better than two or three years of primary education, are destined to create workforces that cannot compete. The best macroeconomic policies in the world cannot compensate for this.

Aid donors often cite their most important admonition: “do no harm.” Yet, their own legal constraints and conditions are often complicating factors that get in the way.
way of development results. Cooperation was the norm in Mali and Bolivia because the DAC determined that donors should support the government of these two countries and refrain from imposing their own pre-conceived programs. That is not the case in other places where interventions are based more on the need to spend earmarked resources than on the priorities of the host country.

A multiplicity of reporting requirements and evaluation systems also constitute a burden on poor nations. Many of these countries do not have the capacity to handle this reporting and consequently spend more time on this than on activities that directly support development. Despite a great deal of talk among donors, very little has been done to lighten this burden.

**Poor Coordination within the US Government**

The coordination issue is not just a problem among donor governments; it is a growing problem within the US government. Since the inception of foreign assistance programs, government departments have loaned their technical experts to assistance initiatives and some created international divisions to conduct this work more efficiently. The funding resources most often came from USAID, and the nation’s development agency was able to exercise some influence over the use of the funds. In addition, small development agencies—the Peace Corps, the African Development Foundation and the Inter-American Foundation—were created to do grassroots development work (in the 1970s, USAID was perceived to be too oriented to government-to-government activities).

This earlier expansion of foreign assistance agencies was manageable. USAID overseas missions were able to coordinate activities and occasionally augment funding for certain grassroots activities that were having a positive impact. The situation changed dramatically, however, when the Berlin Wall came down and the US government was handed the challenge of transforming the former communist world.

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The Support for East European Democracy Act (SEED) was enacted in 1989. Perceiving a slow response to the collapse of communism on the part of the Reagan administration, the Senate Foreign Relations Committee under Subcommittee for Europe Chairman Joseph Biden seized the initiative. The development goals set forth in the legislation were a veritable shopping list that involved the US government in every aspect of the development challenge in these nations (in fact, the Act specifically authorized domestic agencies to work in Poland and Hungary). The underlying assumption was that our entire government would be thrust into the process. Most importantly, a coordinator would be designated by the president to reside at the State Department with the authority to direct resource allocations for the government.

*The Whitehead Journal of Diplomacy and International Relations*
When the Soviet Union collapsed, a second piece of legislation was passed. The FREEDOM Support Act was very similar to the SEED legislation, authorizing resources for a myriad of activities under a State Department Coordinator who would allocate the appropriation among various departments and determine the program mix as well.17

The coordinators tended to be diplomats or, in one case, a private sector manager, with no experience in development. They made little effort to devise a strategic approach to the challenge and resources were distributed in a scattershot pattern. Government departments put on a full court press arguing they could best implement the portion of the transformation which most resembled their domestic mission. USAID received a little over half the funds, but the competition was keen and over time, the USAID allocation shrank.

**The State Department Coordinators, with few exceptions, were more interested in pushing the money out the door and fending off powerful cabinet secretaries than in achieving development objectives.**

The domestic departments had no overseas presence and no delivery capacity. Funds sat in Washington offices, sometimes for years, with little work being done on the ground. When activities commenced, it became clear that these departments, quite naturally, had more interest in pursuing their domestic mission than in sustainable development abroad. Often, the departments would issue requests for proposals (RFPs) and end up using the same contractors used by USAID. Even then, the mission and the follow-up evaluations were less developmental than domestic-mission oriented.

The State Department Coordinators, with few exceptions, were more interested in pushing the money out the door and fending off powerful cabinet secretaries than in achieving development objectives. USAID’s work suffered as its chain of command was disrupted. Agency bureaus and missions were receiving instructions from both the expanding State Coordinators’ offices as well as their own authorities. Efforts to devise a more comprehensive strategy were seen by the coordinators as second guessing.

This history is recited here because it represents the antecedent of a coordination problem that is even worse today. I have often thought it ironic that individuals with the title “coordinator” could wreak such disarray. The coordinator fad has continued. Now there are some seven coordinators who control development or development-related resources.18 It is virtually impossible to adopt a single strategic approach in cooperation with an enlightened developing nation government.

The new Millennium Challenge Corporation (MCC) represents yet another development agency on the Washington scene. Its purpose was to reward nations that had achieved certain eligibility benchmarks along the development path. Some
sixteen measurable indicators were developed to determine progress in economic market reform, democratic governance and investment in social services. These criteria were sound in developmental terms and the debate over what they should be and how to measure them was a healthy one. The president’s announced goal was to distribute US$5 billion a year through the MCC to pay for projects devised by the eligible governments. A staff of fewer than 100 was to manage these resources.\footnote{19}

It came as little surprise to most development professionals that by the summer of 2005, only one country program had actually been initiated (Madagascar). The Appropriations Committees, seeing the slow disbursement of funds, reduced the appropriations to under US$2 billion.\footnote{20} In early summer, the MCC administrator announced his resignation. Reports were that President Bush was unhappy that so few funds had been disbursed. In my view, pushing these resources out the door more quickly would have resulted in waste, fraud and mismanagement. Shared strategic goals, oversight and results measurement should be part of any successful development enterprise.

The US government’s uncoordinated approach to development that characterizes the situation today means precious government resources are wasted and dissipating the international leadership capacity of the US. It is long past time that the responsibility for coordinating development strategies is placed in the hands of development professionals. I strongly support the recommendation of the Commission on Weak States and US National Security, a commission, on which I served, to “[e]stablish an integrated development strategy and implement it within a single, Cabinet-level development agency.”\footnote{21} As the Hart-Rudman Commission on US National Security in the 21st Century observed after reviewing the current governmental structure, “In practice…no one [is] in charge.”\footnote{22} The Weak States Commission report goes on to state:

\begin{quote}
A new architecture must give development issues a single, strong voice at the Cabinet level; better coordinate the multiple agencies and entities that deliver foreign assistance; play a role in development and trade policy; establish a single, unified budget for development; and integrate strategies for countries and regions. Development policy is an increasingly important tool—it is more than just writing a check—and the United States needs to invest in developing the expertise and capacity to wield it effectively.\footnote{23}
\end{quote}

**A Coherent Policy Approach is Needed**

Development programs can support nations that are following good strategies and that have the right set of policies, but development interventions alone are insufficient. Development, trade and finance policies at least must be in rough alignment. Yet, a development perspective has been largely absent from the consideration of trade and finance policies. In the US government these subjects are reserved for the Treasury and Commerce Departments respectively, with the National Economic Council coordinating for the White House. The Treasury Department oversees the multilateral development banks and, at the international level, the
International Monetary Fund (IMF) dominates the finance agenda while the World Trade Organization implements the trade regime.

Nobel Prize winning economist Joseph Stiglitz, former chief economist of the World Bank, has been highly critical of the IMF for its fixation on macroeconomic stability. The Fund, he writes, seeks a “one-size-fits-all” model in its approach to reform in developing economies. Stiglitz’s strong criticism of the so-called “Washington Consensus”—privatization, low inflation, trade, and market liberalization—is summed up in this quote:

“We have seen how trade liberalization accompanied by high interest rates is an almost certain recipe for job destruction and unemployment creation—at the expense of the poor. Financial market liberalization unaccompanied by an appropriate regulatory structure is an almost certain recipe for economic instability—and may well lead to higher, not lower interest rates, making it harder for poor farmers to buy … [seed and fertilizer]…. Privatization, unaccompanied by competition policies and oversight to assure that monopoly powers are not abused, can lead to higher, not lower, prices for consumers. Fiscal austerity, pursued blindly, in the wrong circumstances, can lead to high unemployment and a shredding of the social contract.”

A more developmentally-oriented, differentiated approach on the part of the IMF is needed, as is a spirited defense of development within the US government. At the present time, there is little or no opportunity to make the case for development. Development economists, for the most part, are not even at the table.

I recall asking that a USAID economist be invited to an early drafting session of the Clinton administration’s Africa Growth and Opportunity Act (AGOA) legislation. I was told by the international economist at the National Economic Council that the legislation dealt with access to markets and US investment in Africa, and that it had nothing to do with development or USAID. I pointed out that USAID missions in Africa were working with governments to enhance their capacity to trade and to liberalize their markets. If we failed in that endeavor, opening US markets and encouraging investment would accomplish little. In the end, the AGOA legislation gave equal billing to development, trade, and investment, but this was not a foregone conclusion at the outset.

Whether discussing debt forgiveness, access to markets, currency exchange, agricultural subsidies, trade promotion strategies, intellectual property rights, labor standards, or a myriad of other trade and finance issues, it is vital that policymakers understand the impact of their decisions on the effort to reduce poverty. Decisions taken in Western capitals can undo years of development progress. The undermining of a long-term development strategy is not inconsequential. To assure that we “do no harm,” development economists should be at the table alongside experts in international financial markets and trade.

Within the US government, the development perspective is mute under current arrangements. Congress seems more concerned that our aid programs will somehow contradict our foreign policy, something that simply cannot happen given the checks
and balances in the system and given that development itself is a foreign policy objective. No one seems to worry that a trade or finance decision could offset millions of dollars of development investments. Improving coordination and enhancing the prospects for policy coherence in our effort to reduce poverty are a compelling rationale for creating a new cabinet Department for International Development Cooperation and giving that department a strong policy voice.

**CONCLUSION**

Awareness of the dangers of growing poverty has not yet translated into meaningful action. As we throw more and more money at the symptoms, it should become obvious that we are not succeeding in treating the disease. Even more resources are needed for the development mission, but a renewed mandate and a more focused, coordinated effort are just as important. There is more consensus in the international community than ever before on what is needed and how to achieve results. That consensus is best captured by the Millennium Development Goals, which have been endorsed by most of the international community, including the United States. These goals can only be reached by adopting comprehensive country and regional strategies and by integrating enlightened, developmentally friendly trade and finance approaches.

This effort would be greatly enhanced were the US government organized to exercise leadership. Currently, it is not. Its interest in development is episodic; its focus is not yet on prevention, but rather on crisis management. The development mission is vital. If we fail to recognize that, we will be confronted by even more pervasive poverty and all of its imposing and dangerous manifestations.

**Notes**

1 United Nations General Assembly. “UN Millennium Development Goals,” available at http://www.un.org/millenniumgoals/, accessed August 5, 2005. The UN Millennium Development Goals (MDGs) are 1) eradicate extreme poverty and hunger; 2) achieve universal primary education; 3) promote gender equality and empower women; 4) reduce child mortality; 5) improve maternal health; 6) combat HIV/AIDS, malaria, and other diseases; 7) ensure environmental sustainability; and 8) develop a global partnership for development.


7 Peter Baker, “Bush Pledges $1.2 Billion for Africa to Fight Malaria,” Washington Post, July 1, 2005. President Bush announced that the US is providing US$1.7 billion in aid for Africa, US$1.2 billion of which is to be used for Africa.
10 Carol Lancaster used this abbreviated definition in a lecture at the Humphrey Institute for Public Affairs, University of Minnesota in 2003. For a more in-depth discussion of this topic, see Carol Lancaster and Ann Van Dusen, Organizing U.S. Foreign Aid: Confronting the Challenges of the Twenty-first Century (Washington, D.C.: Brookings Institution Press, 2005), 4-5.
15 The USAID Mission Director related this to the author; it was later confirmed in a meeting between the author and President Konore. DAC took up the issue circa 1997.
17 The FREEDOM Support Act, PL102-511 was enacted October 24, 1992. See the Department of State home page for details, available at http://www.state.gov/.
18 In addition to the statutorily-created coordinators for SEED and the Newly Independent States (two positions now held by one individual), coordinators have been created (either by statute or by administrative action, or both) for Afghanistan, Iraq, HIV/AIDS, Reconstruction and Stabilization, Trafficking in Persons, and the Middle East Partnership Initiative.
22 Cited in Weinstein et al., On the Brink, 31, emphasis in the original.
23 Weinstein et al., On the Brink, 31, emphasis in the original.
25 Stiglitz, Globalization and Its Discontents, 84, emphasis in the original.
26 African Growth and Opportunity Act (AGOA) was signed into law on May 18, 2000 as Title I of the Trade and Development Act of 2000. See the AGOA Home Page for details, available at http://www.agoa.gov/.
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