
The Purposes, Management, and Organization of US Foreign Aid Today

An old Swahili proverb says that to arrive at your destination, you must know from whence you start. This chapter will examine from whence we start—that is, the purposes, management, and organization of US foreign aid as they are at the beginning of the new century. Purposes are defined here as the broad objectives of US bilateral and multilateral aid, which are used both to justify the aid to Congress and the public and to determine where the aid is spent and what sorts of activities it funds. (Justifications for aid that do not also influence the allocation and use of that aid are not included as purposes here, though several will be mentioned at the end of this section.)

Purposes

US foreign aid in 2000 is different from what it was just 10 years ago. There are six identifiable purposes of US aid. Three of them—promoting security, supporting development, and providing humanitarian relief—have existed for the past 5 decades. Whereas the words used by policy-makers to describe these three purposes have remained the same, the substance of each has changed significantly in the past 10 years. In addition, three other purposes have gained in prominence in the past decade—supporting economic and political transitions in former socialist countries,

addressing transnational problems, and promoting democracy abroad.¹ Let us examine these six purposes in detail.

Promoting Security

US aid was long justified by government officials and foreign policy elite as an important instrument for protecting US security by helping contain the expansion of communist influence. This motivation was most evident in aid to Greece and Turkey, and the Marshall Plan in the late 1940s and early 1950s; South Korea and other countries on the periphery of China, and the Soviet Union in the 1950s; the Alliance for Progress in Latin America in the 1960s; Indochina in the 1960s and early 1970s; the Horn of Africa and Southern Africa in the 1970s and early 1980s; and Central American countries in the mid-to-late 1980s. The bilateral aid program intended primarily to support US security interests abroad was the ESF, known earlier as Security Supporting Assistance. The security rationale provided a general and often compelling justification for US foreign aid as a whole because aid for development and other purposes, it was argued, also promoted US security.

In reality, beginning in the mid-1970s and especially after the Camp David Accords between Israel and Egypt in 1979, peacemaking began to compete with the Cold War competition as the core focus of US bilateral economic assistance for security purposes. Since 1979, nearly four-fifths of ESF monies—typically \$2 billion out of a total of around \$2.5 billion annually—have in fact been allocated to Israel and Egypt as an incentive for them to maintain peace in the region. (In 1998, Congress and the administration agreed to begin reducing the annual level of aid transfers to these two countries with the aim of eliminating economic assistance to Israel and reducing by half aid to Egypt over a 10-year period.) Other funding for peacemaking has included aid to Cyprus, Jordan, Northern Ireland, and more recently, Bosnia and other Balkan countries and the West Bank/Gaza. (Aid for West Bank/Gaza and Jordan increased in 1999 and 2000 as a result of the Wye River Agreement between Israel and the Palestinians.) Programs for Cambodia and Haiti can also be classified as peacemaking—aimed at creating the conditions for internal peace and stability in the wake of conflict or severe political disruption. In both these countries, the United States took an active role in bringing about

1. None of these three purposes is entirely new to foreign aid. The United States provided aid in support of the political transition in Portugal in the 1970s. (I thank Brad Langmaid for pointing this out.) It has for several decades put aid funds into population and family planning programs—a transnational issue and usually viewed as such by USAID's program managers—and democracy promotion was part of the aims of the Alliance for Progress in the 1960s. But, with the exception of family planning, these programs remained relatively small and limited in duration. That is no longer the case today.

political change or a resolution of existing conflict. Foreign aid has become an important tool for consolidating those achievements.

Promoting Development

If the meaning of security as a purpose of foreign aid has shifted during the past several decades, the meaning of development and ideas about how to achieve it have changed even more, particularly in the past 10 years.

From the very beginning of the postwar period, the core objective of economic development was to help poor countries regarded as too impoverished to support their own rapid economic progress, grow, and thus reduce their poverty. Growth, in turn, required investment. With savings very low and international capital limited and wary of poor countries during the early decades after World War II, foreign aid was seen as a tool for raising investment levels. Further, such aid was regarded as especially appropriate for expanding infrastructure and promoting social development—that is, education, health, and other services that benefited all members of society—which were likely to be unattractive to private investors. In addition to helping fill investment gaps (and foreign exchange gaps), aid could provide the technical assistance and training that would expand the capacity of developing countries to manage their own economies. Finally, aid could also fund the research—especially in agriculture and health—that would address the particular needs of poor countries (again, with their limited markets, such research was unlikely to be of interest to major private investors) and thereby help them expand their productivity and prosperity.

This basic approach to using aid to promote development has continued until the present, with some important amendments. Aid was used in the 1970s for basic human needs—to fund investments by governments directly benefiting their poor when it was thought that economic growth was failing to reach the poor or making their lives more difficult. Aid shifted in the 1980s back to supporting growth (which, research has now shown, does, in fact, benefit the poor²), but in this case, it emphasized funding of essential economic reforms if private investment was to rise and lead to faster growth. Throughout all these changes and amendments in development thinking, the focus of aid and development was on bringing about beneficial economic and social change in particular countries, providing the capital that would not otherwise be available and the technical assistance essential for effective economic management in those countries.

2. Catherine Gwin and Ivan Nelson, *Perspectives on Aid and Development*, Overseas Development Council Policy Essay 22, Washington, 1997.

The 1990s brought a fundamental but little recognized change in the development community of what development was and the role of aid in it. The notion of development fragmented into three different concepts: One is the traditional, country-focused approach described above; one now refers to addressing transnational issues and problems; and one involves what we shall term “humane concerns.”³

Humane concerns is used here to refer to aid provided (usually through NGOs) directly to disadvantaged communities or vulnerable groups to help improve the quality of their lives. Examples of this type of aid include assistance for poor children (e.g., inoculations or oral rehydration therapy), poor women (e.g., through micro-enterprise lending), AIDS orphans and street children, counseling victims of torture, prosthetics for those maimed by mines, and a variety of other community improvements. Much of this type of aid—if it is large enough and effective—can support development as traditionally conceived. But its motivation and management typically involve less a strategic intervention in another society aimed at bringing about broadly based economic and social change than simple altruism—a desire to help directly those in need who cannot help themselves.

We do not know how much US aid falls into this category at present. But one indication of its importance is the percentage of US Development Assistance channeled through NGOs, roughly 30 percent, as mentioned above. Another indication is the amount of aid earmarked by Congress for child survival—over \$600 million in 2000 for a variety of activities intended to benefit children. These indicators suggest that aid for humane concerns is already sizable and is on the increase.

Transnational problems—arising from events or conditions in one country or region that adversely affect people in other countries—are not new. They have been present since national borders were created and people began crossing them. However, they have expanded in scope and accelerated in intensity with increasing world population and prosperity, and especially with the integrative process called globalization.

Many of these transnational problems are familiar ones. Like rapid population growth or international food insecurity, they have long been part of the discourse on development and the focus of aid interventions. But the way they are increasingly being viewed—as issues involving international public goods potentially affecting Americans rather than obstacles to economic progress in poor countries—is quite new.⁴

3. Others have defined development in still different terms. See, for example, Amartya Sen, *Development as Freedom*, New York: Knopf, 1999.

4. See, e.g., Inge Kaul, Isabelle Grunberg, and Marc A. Stern, eds., *Global Public Goods: International Cooperation in the 21st Century*, New York: Oxford University Press (for UNDP, 1999), and Ravi Kanbur with Kevin M. Morrison, *The Future of Development Assistance: Common Pools and International Public Goods*, Overseas Development Council Policy Essay no. 25, Washington, 1999.

Addressing transnational issues requires a different approach from that associated with aid to promote development. First of all, aid allocated to address a global problem should be provided to countries contributing the most to the problem and unable (or unwilling) to deal with it. Economic need and performance—key criteria for allocating traditional Development Assistance—are much less important. Second, aid will be allocated to address a particular problem in a country or group of countries rather than to bring about broad economic, social, and political change in countries receiving the aid. Thus the strategic orientation of this approach is global rather than country-focused, although working on transnational issues involves addressing the conditions or policies in particular localities that contribute to transnational problems.

The rising importance of transnational issues as a focus of US foreign aid is already evident in congressional action, in the statements of administration officials, and in the aid programs themselves. For fiscal 2000, for example, Congress passed legislation requiring the administration to spend \$75 million on an Infectious Diseases Initiative to address the problems of tuberculosis, malaria, and yellow fever. The administration proposed a major boost in aid in 2000 to address the problems of HIV/AIDS, another major transnational issue. (HIV/AIDS has become so serious a problem—especially in Africa—that it is a development and humanitarian issue, producing 11 million orphans. It has even been described by the president as a US security issue.)

The rise of transnational problems as a focus of US diplomacy is evident in the creation in 1993 within the Department of State of a new post of undersecretary for global issues. USAID also has a Bureau of Global Issues. And, as noted above, a number of US government agencies (e.g., Department of HHS, EPA, and Department of Energy) now fund their own activities abroad, most of which address transnational problems.

Humanitarian Relief

The United States has long provided relief in cases of disasters abroad. In recent years, the United States has provided funding for relief from droughts, floods, epidemics, cyclones, hurricanes and typhoons, earthquakes, fires, mudslides, volcanic eruptions, terrorist attacks, and civil conflicts. This purpose of US foreign aid has long been the least controversial and the most supported by the American public, especially when human suffering resulting from such disasters has been viewed nationally on television.

During the past half a century, most of the humanitarian interventions undertaken by the US government have been primarily in poor countries unable to adequately finance their own relief efforts, although

such interventions have also been undertaken in well-off countries when the disaster is a major one and when US expertise in various aspects of disaster relief is needed.

As with the other traditional purposes of US aid, the nature of US assistance in humanitarian crises has changed significantly during the past 10 years. Until the mid-1980s, disasters requiring aid from the United States and other governments were primarily natural disasters, as with the drought and famine in Ethiopia. Since the late 1980s, there has been a dramatic rise in man-made or complex disasters—mainly deriving from conflicts within countries—including those in Angola, Bosnia, Burundi, Liberia, and others, particularly in Africa. From a low of two or three complex disasters per year in 1985 and 1986, the number rose to 10 in 1989, and to 20 or more every year since then, save two years. In 1998, the natural and man-made disasters to which the United States responded with relief assistance reached 87.⁵

Complex crises typically present much greater challenges for humanitarian response than do natural disasters. They tend to be prolonged, continuing at times for decades. They create large numbers of refugees and displaced people and require humanitarian intervention while the conflict is ongoing as well as after it ceases. They are highly destructive of life and property, often over a wide area. And with the now common practice on the part of combatants of planting millions of mines, the threat to human life and economic recovery continues for many decades after the war, as in the cases of Cambodia and Mozambique.

Civil conflicts also frequently destroy political institutions and social comity, removing the local governmental partners necessary for rapid and effective humanitarian intervention, as in the case of southern Somalia or southern Sudan. Finally, to help war-torn societies recover from complex crises, humanitarian organizations are now challenged to help recreate the political institutions necessary to govern those societies. The rise in the number of complex crises thus has both increased the difficulties of humanitarian intervention by placing it at times in a physically dangerous and highly political environment and also extended the scope of that intervention to a whole new area of political and social reconstruction.

One of the results of the change in the nature of conflict over the past decade or so has been the creation by a number of US-supported aid agencies—USAID, the World Bank, and the United Nations Development Program (UNDP)—of new programs and bureaus to manage the complicated and still little understood tasks of helping countries emerging from crisis and conflict with reconstructing political institutions and

5. Of this total, 65 were natural disasters (up from 27 in 1997). See J. Brady Anderson [USAID administrator], Testimony before the House International Relations Committee, 15 March 2000. <http://www.info.usaid.gov>.

social reconciliation. USAID, in its major innovation of recent years, was the first to create such a program, housed in the new Office of Transition Initiatives. The World Bank subsequently established its Post-Conflict Unit. These programs include demining, demobilization and reintegration of combatants, support for political organization and elections, establishment of effective judicial systems (often including processes for prosecuting war crimes), and—in the words of the World Bank—aid for jump-starting the economy.⁶

With the rising importance of relief work and the expansion of relief efforts into the area of political and social reconstruction, both relief and development specialists have begun to emphasize the importance of linking relief to long-term development activities. There has been considerable discussion during the past several years on what the exact nature and extent of these linkages should be. An examination of this literature⁷ points to a number of ways relief work can be made more consistent with development—for example, relief planners should try to ensure that victims of disaster remain at home if at all possible so they can begin economic activities as soon as the disaster is over; relief planners should undertake their activities with an understanding of the potential impact of their assistance on political and social conditions, especially in societies in conflict or emerging from conflict; and they should provide relief assistance while avoiding creating long-term dependence on that assistance. But what really comes out of the discussions of the links between relief and development, reflected in the initiatives of USAID, the World Bank, and others, is not so much the extent of those ties (which in fact appear limited) but the evolution of a new type of aid intervention—aid for political and social reconstruction. These interventions are not the short-term ones associated with traditional relief work, because they tend to continue over a longer period than interventions focused primarily on relieving human suffering. Further, they require a high degree of political and social knowledge and local experience on the part of external

6. See World Bank, *Supporting Peace: The World Bank's Role in Post-Conflict Reconstruction*, <http://www.worldbank.org/html/extdr/backgrd/ibrd/peace.htm>.

7. See, e.g., Simon Maxwell and Margaret Buchanan-Smith, eds., *Linking Relief and Development*, *Bulletin*, Institute of Development Studies, University of Sussex 25, no. 4, 1994; Krishna Kumar, *The Nature and Focus of International Assistance for Rebuilding War-Torn Societies*, in *Rebuilding Societies after Civil War*, ed. Krishna Kumar (Boulder, CO: Lynne Rienner, 1997), 30 ff.; Ian Smillie, *Relief and Development: The Struggle for Synergy*, Humanitarianism and War Project Occasional Paper 33 (Providence: Brown University, Watson Institute, 1998); Development Assistance Committee of the OECD, *Guidelines on Conflict, Peace and Development Cooperation and DAC Policy Statement*, <http://www.oecd.org/dac/htm/pubs/p-cpdc.htm>; Nicole Ball, *Making Peace Work: The Role of the International Development Community* (Washington: Overseas Development Council, 1996); and Peter Uvin, *The Influence of Aid in Situations of Violent Conflict*, Paris: Development Assistance Committee of the OECD, 1999.

aid agencies if they are to be effective. And unlike the delivery of relief, they are still highly experimental.

Similarly, they are different from traditional development interventions because they aim at reconstructing social and political institutions in recipient countries, whereas traditional development interventions typically rely on existing social and political structures to deliver their aid and achieve their goals. Their conceptual and organizational place in relation to traditional development work and relief assistance is still a subject of debate.

Their relationship to broader foreign policy goals is also increasingly becoming a topic of discussion. It has been argued (primarily by Department of State officials) that relief and transition assistance, because it can be so highly charged politically and is a potentially important tool of US foreign policy today, should be a more integral part of foreign policymaking, and preferably should be housed in the Department of State. As of this writing, the Department of State was circulating a study on the organization of US bilateral aid for relief and recovery, with one of the most significant options being to relocate the Office of Foreign Disaster Assistance (OFDA), currently housed in USAID, to the Department of State, combining it with the Refugee Program already part of that department. Whereas the Department of State argues that aid for relief and recovery should be part of that organization, USAID argues that, because of the connections to development, relief and recovery assistance should be located in the aid agency. NGOs delivering relief and recovery assistance are generally reluctant to see assistance move even closer to foreign policy decision makers, fearing that the right to humanitarian relief (regardless of the political orientation of the government of the country receiving the aid) to which most of them subscribe would be compromised if foreign policy concerns were given a stronger hold over decisions on such aid.

But here, too, new debates have arisen. Although most humanitarian organizations resist any suggestion that humanitarian relief should be conditional on political considerations, some of them, together with experts on humanitarian assistance, are raising the difficult question: When does humanitarian aid prolong a crisis rather than help relieve the suffering it creates—and, by implication, when should such assistance be terminated, even if a crisis is not over? Aid to relieve starvation in North Korea, governed by a callous and brutal regime (and likely to help prolong the life of that regime), has given particular urgency to this question—although this is not the only case that has raised this issue in recent years.⁸

8. Another crisis in which this issue became significant involved the refugee camps for Rwandan Hutus who had fled to the former Zaïre in the aftermath of the genocide in their country. A number of the camps came to be controlled by Hutu militias who had been responsible for the genocide of Tutsis and who were using aid together with threats of violence against the refugees to prevent them from returning to Rwanda. In this case,

These three important issues—the policy and organizational relationship of relief and recovery assistance to development, its relationship to foreign policy, and its negative as well as positive impacts on crisis and human suffering—will without doubt continue into the new century and have an important influence both on US aid for relief and recovery as well as its organizational location.

Political and Economic Transitions

Another purpose that gained prominence in US aid during the 1990s was the support of transitions to free markets and democracy in formerly socialist countries. Twenty-six countries in Eastern Europe and the former Soviet Union have benefited from transition assistance, including Armenia, Azerbaijan, the Czech Republic, Georgia, Hungary, Kazakhstan, Poland, Romania, Russia, the Ukraine, and others. These programs consist primarily of technical assistance and training in such areas as promoting private business (e.g., through privatization and regulatory and legal reform); cleaning up the environment; financing elections; political party and media training; reforming and strengthening a professional, independent judiciary; and supporting a variety of indigenous NGOs. Transition aid was intended to last only a few years. Several bilateral aid programs in Eastern Europe—those for the Czech Republic, Estonia, and Slovenia—have in fact already been phased out. Others, particularly in the poorer countries of Central Asia, are beginning to resemble conventional development programs. Still others, for example, in the countries that are reforming more slowly, such as the Ukraine, may continue and even increase for some time. Most US bilateral aid for economic and political transitions is directed by several regional and country coordinators in the Department of State and implemented by USAID. Some bilateral aid comes from other US government agencies. The United States also provides aid for this purpose through the multilateral development banks, including the World Bank and European Bank for Reconstruction and Development.

Democracy

Both the Bush and Clinton administrations have emphasized the promotion of democracy as a key purpose of US foreign policy. In 1996, for

relief was contributing to a prolongation of the refugee crisis and supporting financially those who had committed atrocities in the first place. One major NGO—Medicins sans Frontiers—actually terminated its participation in the relief effort on the grounds that it was prolonging the crisis. For more on the difficult issue of when relief can contribute to disasters rather than relieve them, see Mary B. Anderson and Peter J. Woodrow, *Rising from the Ashes: Development Strategies in Times of Disaster*, Boulder, CO: Westview Press, 1994.

example, the former National Security Advisor, Tony Lake, declared that “our special role in the world is to safeguard and strengthen the community of democracies and open markets. . . .”⁹ Promoting democracy is sometimes justified as an end, as an expression of the most sacred of US values, responding to the aspirations of freedom of people throughout the world. Promoting democracy is also explained as a means to an end in that it leads to the realization of other important US values—protection of human rights, religious tolerance, and the rule of law. Additionally, it is justified as strengthening world peace. There is a body of research, cited on occasion by President Clinton, that holds that democracies do not make war on one another and are less prone to internal conflict. Thus, expanding the number of democracies is justified as a means of reducing the probability of violent conflict in the world.¹⁰ It has also been argued that democracy acts as a precondition for development by promoting good governance, including transparency and accountability, on the part of governments. The initiation of rapid growth under authoritarian regimes in Chile, South Korea, Taiwan, and elsewhere suggests that reality is rather more complex.¹¹

US foreign aid for this purpose has been used to symbolize US support for opposition forces demanding political reform. (By implication, US engagement has also provided those forces a measure of “insurance” against arrest or assassination.) It has been used as an incentive to pressure governments to adopt political reforms. And it has funded advice on drafting constitutions and laws; the costs of elections; political party training; training for legislators, judges, and journalists; and equipment for government institutions. It has also been used to strengthen NGOs on the theory that civil society organizations operating in the political realm—such as human rights groups and civic education agencies—are essential to preserve democratic practices. Funding for these activities is largely from USAID, but from a number of other agencies as well, including the Department of State, the National Endowment for Democracy, and even the Department of Agriculture.

9. Anthony Lake, Laying the Foundation for a New American Century, US Department of State Dispatch 7, no. 18, April 29, 1996.

10. These views are not uncontested. See Henry S. Farber and Joanne Gowa, *Politics and Peace*; Edward D. Mansfield and Jack Snyder, *Democratization and the Danger of War*; and David Spiro, *The Insignificance of the Liberal Peace*—all in *Debating the Democratic Peace*, eds. Michael Brown, Sean Lynn-Jones, and Steven Miller, Cambridge, MA: MIT Press, 1997.

11. For a detailed discussion of the role and impact of aid in promoting democracy, see Thomas Carothers, *Aiding Democracy Abroad*, Washington: Carnegie Endowment for International Peace, 1999.

Other Rationales for US Aid

Two other rationales have been offered to justify US aid that cannot be classified as “purposes,” according to the definition offered above, because they do not play a significant role in decisions on where the aid is spent or what sorts of activities it funds. One is using foreign aid to expand US exports and the other is using aid to prevent conflict.

Export Promotion

The expansion of US export markets has never been a primary goal of US foreign aid—that is, determining which countries received aid and how the aid was used.¹² The United States, unlike Japan, France, or Italy, has rarely used its aid to put together “mixed credits” (packages of highly concessional financing combined with the harder terms typical of export credits) to compete for export contracts. At the beginning of the 1990s, there was a move in Congress to direct significantly increased amounts of US bilateral aid to financing infrastructure abroad as a means of enhancing US exports (particularly of the construction industry). However, this move was quashed early in the Clinton administration in a report of an internal US government task force on US foreign aid. This “Wharton Report” (named for Deputy Secretary of State Clifton R. Wharton, Jr., who led the task force) urged that “the United States should maintain strong support for both development assistance and export promotion programs, but they should remain separate. . . .”¹³

Although not a primary purpose of US aid, expanding US exports is often a secondary effect of that aid. US bilateral aid has long been tied to the purchase of US goods and services. The United States expects the multilateral development banks to which it contributes to procure at least as much from the US market as the United States provides in financing. Further, US officials have long claimed that US aid, by promoting

12. Although the United States has not often allocated its aid to countries with the primary goal of gaining particular export contracts, it does tie at least 80 percent of its aid to purchases of US goods and services. (See USAID, *Why Foreign Aid*, <http://www.info.usaid.gov>.) However, there is an important difference in using aid to compete for export and other commercial advantages abroad and using aid for other purposes but requiring that most of the aid is spent in the United States. This is a subtle but important distinction because it affects basic decisions on who gets the aid and for what purposes.

13. Task Force to Reform A.I.D. and the International Affairs Budget, *Revitalizing the A.I.D. and Foreign Assistance in the Post-Cold War Era* [also known as the Wharton Report from Deputy Secretary Clifton Wharton, the chair of the task force]. Photocopy. September 1993, vii. This report, requested by the secretary of state and the National Security Council (under Presidential Review Directive 20) was drafted by a task force made up of representatives from a variety of US government agencies with an interest in foreign aid. Although completed and unclassified, the study was never published.

economic reforms and growth in poor countries, has indirectly contributed to the increase in demand for US exports on the part of these countries. This is a plausible argument but a difficult one to demonstrate empirically, given all the factors in addition to US aid that have contributed to growth in poor countries and to their demand for US exports.

Preventing Conflict

Crisis prevention or preventive diplomacy has often been cited in recent years as a central theme of US foreign policy. Foreign aid has been justified on the grounds that one of its effects is to prevent conflict. The root causes of conflict, USAID officials have argued, include poverty, environmental degradation, rapid population growth and urbanization, new diseases, and the absence of democracy.¹⁴ Foreign aid expenditures addressing these “strategic threats,” it is argued, will not only help resolve the threats, but will also reduce conflict and support a US diplomacy of conflict prevention.

This rationale for foreign aid, like the previous one, has relatively little influence on the allocation and use of US bilateral aid. It is more an effort to link foreign aid to a central theme of US foreign policy. Although rapid population growth, environmental problems, poverty, or the spread of diseases may exacerbate ethnic or religious tensions within countries or disputes between countries, there is little evidence that intra or interstate conflicts are direct results of such conditions. If this were true, there would be many, many more conflicts than exist today, and some of those that do exist (e.g., those in the Balkans or Northern Ireland) would likely not have erupted.

The Management of US Foreign Aid

There are three principal models for managing US foreign aid today. One is the country programming model used by the multilateral development banks, some international organizations such as UNDP, and USAID. One is what I shall call the rapid response model, used by the OFDA. And one is a foundation model used by the two government foundations (InterAmerican Foundation and African Development Foundation). There is also, of course, the opportunistic model, which simply means that aid agencies or programs provide assistance in response to opportunities or pressures at a particular moment. Most aid agencies

14. For one exposition of this argument, see USAID, USAID’s Strategies for Sustainable Development, <http://www.info.USAID.gov/about/overview.htm>.

engage in a degree of opportunistic assistance as a result of political pressures on them or to take advantage of unanticipated occasions to realize their broader goals.

Country programming refers to a set of processes that typically include the aid agency's assessment of the overall economic and social conditions in a recipient country, a strategy for its interventions, the design and implementation of the interventions, and an evaluation of the outcome or impact of the interventions. Country programming was adopted by many aid agencies in the 1960s and 1970s and often combined with a sizable field presence to enable aid agencies to manage their aid interventions in foreign countries. Most of the world's large aid agencies—including the World Bank, USAID, and UNDP—now all have such field missions. These programming processes and field missions are consistent with large aid interventions to promote long-term changes in recipient countries. The World Bank fits into this category, but USAID arguably no longer does. The amount of US bilateral aid in most foreign countries is now relatively small, with the exception of Egypt and a handful of others. The average aid level planned for African countries in 2000, for example, was \$20 million, with the largest program (\$50 million) planned for Uganda. The average for the 19 countries in Latin America and the Caribbean receiving US bilateral aid in 2000 was just under \$20 million. The largest program there was \$70 million for Haiti.

US bilateral aid in the past several years has “deconcentrated” for most of the world—that is, the United States has been providing small amounts of aid to a large number of countries worldwide (probably more than 100, according to USAID officials), even though US aid has declined substantially in the past decade. In only a handful of countries—Bosnia-Herzegovina, Egypt, Israel, Jordan, Russia, the Ukraine, and West Bank/Gaza—has US bilateral aid exceeded \$100 million. (Not included in these figures is the supplemental aid in 2000 for disaster recovery in Central America and Kosovo.)

Not only do these data show that US aid, for the most part, no longer represents a significant transfer of resources to other countries relative to the size of their economies, but also that where those resource transfers are large, many of them involve relief, peacemaking, or support for transitions—not for traditional long-term development interventions. As USAID has moved away from the size and types of aid interventions it managed in the 1960s through the 1980s, its complicated programming mechanisms and field-based structure have become inappropriate. They are increasingly a poor fit for the smaller amounts of available funding, an increasing proportion of which is allocated to such purposes as peacemaking and disaster response.

In fact, it can be argued that, in significant measure, these programming processes have for some time been a poor fit for what USAID really did. They function on the assumption that the agency sets broad

policy directions and strategies, and that the field missions design and implement programs and budgets each year on the basis of their assessment of the needs and opportunities in their respective countries as well as the lessons of past aid interventions. But, the categories of activities for which US bilateral aid is expended are more and more set by Congress and the headquarters in Washington and not USAID's field missions, undercutting the legitimacy of existing programming systems. In short, these systems are badly out of sync with the realities of US bilateral aid and need to be fundamentally recast.

A second model of aid management is "rapid response," in which an aid agency or program has a broad purpose—usually humanitarian relief—and the budget, flexibility, and trained staff to respond to unanticipated crises and opportunities quickly. The OFDA in USAID, which has such a system, is able to get its staff and consultants into the field in response to a crisis within hours to assess needs and organize a quick response. In recent years, OFDA and the Department of Defense often have coordinated effectively to provide relief in humanitarian emergencies, demonstrating that when purposes are clear and programming systems appropriately flexible in different agencies, effective coordination is achievable. The aid management system of the OFDA is an appropriate and effective one.

A third model for managing foreign aid is the foundation model, in which an aid agency makes clear its purpose, substantive areas where it is willing to work, and the standards of performance and accountability it expects in the activities it funds. It then seeks and accepts proposals for funding projects in its focus areas. (These proposals need not come solely from community groups, but could include business enterprises and associations, universities, local or central governments, or other qualified organizations.) Typically, the proposals are conceived and designed by the implementers. If they are acceptable to the foundation, funding is provided and the progress of the activity is monitored. A final report and at times an evaluation is also part of the process.

This approach to aid-giving is far less intrusive, and potentially less staff intensive and organizationally complex than the country programming approach. It should not require a large field presence. It puts more responsibility on the implementers than a country programming system would for designing and managing the aid-funded activity. It can be much more effective for encouraging new and innovative activities, and it is also more amenable to collaborative funding with other aid donors (including NGOs or corporate enterprises) than a country programming approach. A foundation approach to aid management, however, is not so appropriate for large aid transfers to bring about broad social and economic change in recipient countries.

We shall return to these models in the concluding chapters when we focus on the management of US foreign aid in the new century.

The Organization of US Foreign Aid

It is difficult to think of a word other than cluttered to describe the organizational landscape of US foreign aid at the end of the 20th century. There are four bilateral aid agencies, seven multilateral development banks, and nearly 70 international organizations and programs (mainly associated with the United Nations) working in the areas encompassed by the purposes of US aid. A number of these agencies share decision making on individual aid programs, and many run programs similar to those of other agencies. Many of them use their aid to further a mix of the purposes described above, although none of them classifies its expenditure in terms of those purposes. These organizations are listed in table 2.1.

The specific purposes of each of these organizations are described in appendix A. However, several general points can be made here about them. In theory, there is a concept that differentiates these different aid agencies. Bilateral aid agencies and programs—especially in a country with the leadership responsibilities of the United States—tend to be heavily influenced by those responsibilities. Bilateral aid thus becomes a useful tool for such purposes abroad described above because it can be easily controlled and deployed. Aid channeled through the World Bank focuses primarily on development, and because the Bank is multilateral, that aid leverages aid from many other governments that might not be available if the Bank did not exist. Regional development banks can address some of the more sensitive development issues (e.g., policy reforms, social change, or reform of the state) more effectively than the World Bank because of their closer relationships to the governments of their regions and the greater say those governments have in what the regional banks do. International organizations can use their funding to address issues of worldwide concern by calling the attention of governments to those issues, monitoring their evolution, helping member states deal with them, and, where they have the authority, enforcing international norms and rules involving those issues.

The reality of the organizational landscape of foreign aid is much less clear than this ideal. Over the years, many aid organizations have taken on similar tasks, overlapping with others. As we have seen, USAID, the World Bank, UNDP, and others all now have crisis intervention and recovery programs. They all have programs involving “governance” in developing countries. The Bank and the IMF (not considered an aid agency for the purposes of this study) address both problems of economic policy reform. One could go on and on.

The advantage of organizational overlap is that multiple sources of funding can be brought to bear on particular issues. The disadvantages are that organizations that try to do everything often do nothing well. And a multiplicity of organizations dealing with similar issues can lead

Table 2.1 Organizations funded with US foreign aid

Bilateral organizations	Multilateral organizations	International organizations and programs ^a
Agency for International Development Peace Corps InterAmerican Foundation African Development Foundation Other US government agencies	World Bank Inter-American Development Bank Asian Development Bank and Fund African Development Bank and Fund European Bank for Reconstruction and Development North American Development Bank Economic Cooperation and Development Bank for the Middle East and North Africa	United Nations Development Program UN Children’s Fund International Fund for Agricultural Development UN High Commissioner for Refugees World Food Program UN Population Fund Food and Agriculture Organization Consultative Group on International Agricultural Research Inter-American Institute for Cooperation on Agriculture World Health Organization Pan American Health Organization UN Environment Program Montreal Protocol Fund Global Environment Facility Convention on International Trade in Endangered Species of Wild Fauna and Flora Organization of American States Development Assistance Program

a. This list includes only those organizations and programs that received \$1 million or more from the United States in 1998.

to serious problems of coordination. The organizational landscape of US foreign aid thus presents both a challenge and an opportunity to those rethinking US aid in the new century. We shall return to the topic in the final chapter.

**Purposes, Organizations, and Programs:
First Cut at a Matrix**

How much US aid is provided by these organizations for the six purposes described in this chapter? Two factors make this question difficult to answer accurately. One is that aid agencies do not collect data in the categories of purpose that we have identified. A second is that aid is frequently provided for several purposes, which may be difficult to

Table 2.2 US foreign aid matrix: Purposes, programs, organizations, and budget (fiscal year 1998)

Purpose	Amount (dollars)	Organization	Program
Security or peacemaking	2.4 billion	State Department/USAID	ESF
Development (both traditional and humane interventions)	3.4 billion	USAID, UNDP, MDBs, Peace Corps, InterAmerican Foundation, African Development Foundation, UNICEF, the Treasury, USDA	DA, debt forgiveness Food aid
Humanitarian relief	1.3 billion	USAID, State Department, USDA	DA, State Refugee Fund
Transnational	400 million	USAID, State Department, various international organizations and programs	DA, NADBank
Transitions	1.5 billion	USAID, EBRD, World Bank	SEED/NIS
Democracy	170 million	USAID, State Department, National Endowment for Democracy	DA, ESF
Total	9.2 billion		

Note: ESF = Economic Support Fund; DA = Development Assistance; MDBs = multilateral development banks; EBRD = European Bank for Reconstruction and Development; SEED/NIS = Support for East European Democracy Act and new independent states of the former Soviet Union; USDA = United States Department of Agriculture. The total here differs from that of the DAC, cited earlier, due to the inclusion of aid to Israel, Eastern Europe, and the former Soviet Union.

Sources: USAID, *Congressional Presentation 1999*; US Department of State, Office of the Secretary of State, *Summary and Highlights FY 1999 International Affairs (Function 150) Budget Request*, 2 February 1998.

disentangle. US bilateral aid to Egypt, for example, is provided primarily for security purposes related to peace efforts in the Middle East but is used to promote development in Egypt through funding investment projects and policy reform programs. We shall classify programs insofar as possible according to their primary purpose.

Table 2.2 is a matrix of aid purposes and the organizations whose activities fall primarily within those purposes. A separate column for “program” shows how aid programs fit with the purposes and organizations. The table offers a very rough estimate of the 1998 budgetary commitments associated with the six purposes we have identified above.

Because there is a considerable amount of judgment involved in the data presented in this matrix, I have included in appendix B an explanation of how I arrived at the budget numbers.

Table 2.2 does not include funds spent by domestic US government agencies, because reliable data are not available. But it seems likely that at least another \$1 billion could reasonably be added to this chart, largely under the category of transnational issues. Further, it does not include funding from the Department of Defense for its participation in humanitarian relief efforts.

It is worth noting that the Treasury is responsible for managing US participation in the multilateral development banks as well as debt relief programs. Also, funding for PL 480 food aid is located in the Department of Agriculture's budget. However, the input of that agency is minimal in the size, allocation, and use of food aid.

There is no reasonable way of dividing funding for humane concerns and those for traditional development work on the basis of available data. Funding for economic transitions remains relatively large, despite the decreasing number of recipients during the past 5 years, as a number of former socialist countries have made significant progress toward creating free markets and democratic systems or reached the point where they can continue without concessional support. (A significant proportion of this funding—over \$200 million—is provided to fund reconstruction in Bosnia.) Finally, for most of these purposes, aid comes from a number of organizations and programs. The table offers a highly simplified picture of a much more complex and overlapping set of organizations and programs for each purpose.