



AMERICAN LEADERSHIP IN DEVELOPMENT COOPERATION

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*Government may take from citizens and give to foreigners when doing so serves the common good,
but it may not do so if... all advantage will accrue to foreigners and none to citizens.*

Edward C. Banfield

The United States has been a global leader in the development cooperation field for an extended period of time. Thus far, despite a disturbing general attack on the rules-based international system by the current U.S. administration, country partners, international organizations, and other donors still look to the United States for leadership. Yet preeminence is ephemeral, built partly on historic inertia, partly on perception, and partly on real results. Indeed, inertia may be the key factor maintaining the U.S. position today. Yet more is at play than that, including a Congress that is resisting isolationism and deep budget cuts in the foreign affairs budget accounts.

Political antecedents

The U.S. development cooperation experiment grew out of both self-interest and altruism. Concerns over the threat of communism motivated many who supported the Truman Doctrine and its assistance to Greece and Turkey and the even more ambitious Marshall Plan to rebuild Europe that followed. These programs from the 1940s were influenced by the Soviet Union's expansionist intentions; yet there was also strong popular support for ending the humanitarian crisis faced by European nations, even the defeated Germany. Feeding those devastated by war and reconstructing the essential elements of functioning economies were central both to alleviating suffering and containing the communist threat.

A bipartisan consensus assumed a strong and integrated Europe served U.S. economic and security interests. That a foreign assistance program of the magnitude of the Marshall Plan was in the national interest did not detract from its humanitarian impact. It may not have been conceived as "the most unsordid act in history" (as Winston Churchill purportedly said), but its effect was both lifesaving and practical.

As the late University of Minnesota scholar Vernon Ruttan observed in his seminal work on the antecedents of the U.S. aid program, *United States Development Assistance Policy*, "American exceptionalism" was a powerful theme in popular political culture. According to Ruttan, this perspective "spawned two conflicting doctrines." One was the liberal ideal in which America's role is "to lead the world...into a more democratic and prosperous future." The other was a realist doctrine, "that a virtuous America, prosperous

and democratic, is continuously threatened with contamination by the antidemocratic and corrupt Old World (and, one might add, by extreme ideologies).”

Ruttan asserts that these two conflicting doctrines, a desire for security, and a need to promote values, “have exerted a powerful influence on U.S. assistance policy from the beginning.”¹

The two doctrines have co-existed for most of our post WWII history. The emphasis has evolved, depending on presidential administrations and the nature of perceived global threats, but the blend of security concerns and the desire to create a global community in our image provide political support for American development assistance.

Point Four: Soft power’s hesitant beginning in a bi-polar world

This blend of security concerns and humanitarianism was conspicuous in President Harry Truman’s inaugural address in 1949. After listing three security-related initiatives, Truman surprised many by adding a fourth “soft power” concept. He urged the United States to “embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas.”²

Averell Harriman was selected by Truman to run the new Mutual Security Agency. During this period, the security focus was front and center. Despite its idealistic birth, Point Four aid was relatively short-term and typically directed at countries on the periphery of the Soviet Union or China.

Harold Stassen took over the post in the Eisenhower administration and called for a US\$2 billion cut in the program, telling the Senate Appropriations Committee, “We are seeking more defense, more rapidly, with less dollars, lasting longer (a reference to his estimate that protecting countries against communism might take 10 years).”

Later, Stassen, who was also assigned the task of strengthening the new United Nations and giving it an aid-giving capacity, began to express concern that the administration had been pre-occupied with military solutions at the expense of economic ones.³

The Mutual Security Agency was the vehicle for the realist doctrine as it combined security assistance with an aid program influenced primarily by geo-strategic objectives. This was a program driven by ideological competition; development was given secondary importance, if it was even understood as a concept. The intentions of Truman’s Point Four program were largely lost as hot and cold war and the communist threat preoccupied the Eisenhower administration.

Efforts to use limited resources to “aid the poor” were often awkward, culturally insensitive parodies of what passes for development today. It was in the 1950s that the moniker “Ugly American” took hold, further damaging the case for a program that could successfully advance development only by working with partners over time.

The Kennedy administration and development diplomacy

The shift toward the “liberal idealist” approach accelerated dramatically with the inauguration of John F. Kennedy in 1961. Military and economic aid were separated, as the Mutual Security Agency became the

United States Agency for International Development (USAID). The Peace Corps was born and the administration gave great prominence to an Alliance for Progress in Latin America. This coincided with a global anti-colonial independence movement embraced by Kennedy, himself the president of a nation that itself had escaped the shackles of colonialism.⁴

The Foreign Assistance Act of 1961 created two accounts, the Development Assistance (DA) account to be administered by USAID, and the Economic Support Fund (ESF) to be allocated by the Department of State, for the most part implemented in the field by USAID missions. The ESF account was intended to support the foreign policy and security interests of the U.S. The Development Assistance (DA) account was more focused on need and, while it reflected the national interest as well, it looked more long term and at developmental prospects.

USAID would be held accountable whichever of these accounts was being used, but it was often more difficult to achieve results when partners were selected for purely political reasons. As economist Robert F. Zimmerman wrote: ESF “has largely failed to achieve its clearly stated economic and social development goals, primarily because this assistance has been first and foremost a diplomatic tool to promote U.S. political and security objectives.”⁵

During this period, the United States was instrumental in creating the Development Assistance Group (DAG), an initiative to coordinate donor assistance policies and produce accurate and comparable data on official development assistance (ODA). Soon after, in 1961, the U.S. ratified the convention creating the Organization for Economic Co-operation and Development (OECD), combining the DAG and the post-Marshall Plan office, the Organization for European Economic Co-operation (OEEC). The DAG became the Development Assistance Committee (the DAC), still the only permanent committee of the OECD, and an important vehicle for U.S. leadership.

President Kennedy provided a strong political rationale for the aid program by appealing to both our obligations as a rich country—“our moral obligations as a wise leader and good neighbor...our obligations as the wealthiest people in a world of largely poor people...” and also to our security interest “as the single largest counter to the adversaries of freedom.” In September 1961, Kennedy spoke at the United Nations and called for a “Decade of Development.” The initiative was endorsed by the General Assembly, which also established concepts of development and global priorities. A decade later, the United Nations adopted a target for the rich countries of 0.7 percent of GDP for official development assistance (the U.S. and Switzerland did not accept this commitment).⁶

In practical terms, the challenge then (and now) was how to assure that these resources were being invested properly and effectively when positive results so depended on the effectiveness of our partners. These were governments with weak and often unaccountable institutions, civil societies with very little appreciation for the requirements of active citizenship, economies with poorly functioning micro-economic systems (banks, customs offices, tax systems, and commercial laws), and colonial contexts that often created ethnic tensions. Many U.S. partners were corrupt dictatorships, but they opposed communism and thus were beneficiaries of our aid (usually of the ESF variety).

Fears of widespread starvation in the late 1960s inspired books like *The Population Bomb*, by Paul Ehrlich, and provided the impetus to share modern agricultural technology. The Green Revolution became a model for successful development and Norman Borlaug received the Nobel Peace Prize in 1970 for his contribution.

The Vietnam War saw the USAID budget ramped up and the agency found itself in the middle of a hot war, working with the military and the Central Intelligence Agency in an effort to “pacify” villages. The USAID workforce expanded to some 21,000 employees, the highest number in its history. Yet this may have been the nadir of the U.S. development program, as USAID became a tool of the security establishment, calling into question its reputation as a development partner.⁷

Basic human needs

In the 1970s, USAID Administrator John Hannah, reinforced by presidential study commissions and working closely with Congress, encouraged the Basic Human Needs initiative, which focused on the provision of social services to the world’s poor. Senator Hubert Humphrey was the lead proponent of this approach in the Senate, and House members Clement Zablocki (D WI), Donald Fraser (D MN), and Brad Morse (R MA) contributed amendments that promoted community development, democratic governance and the building of economic, political and social institutions. A 1973 House Foreign Affairs initiative, titled *New Directions*, called for a focus on food production, rural development, nutrition, family planning, health, education, and human resource development. An additional amendment by Congressman Fraser linked human rights and democratic governance to development.⁸

The fall of the Berlin Wall

The collapse of communist regimes in Central and Eastern Europe and the former Soviet Union in 1989 and 1990 provided a new rationale for the U.S. aid program. The George H.W. Bush Administration was somewhat slow in responding to this transition and an aggressive Congress, led by the Senate and House Committees responsible for foreign affairs, filled the gap with Support for East European Democracy Act (SEED) in 1989, and The Freedom Support Act in 1992.⁹

Near the end of the George H. W. Bush administration, USAID was facing mounting challenges as Congress cut its operations budget just as the demands on its resources were increasing. The transitions in the former communist world saw the opening of new missions at the same time that the Congressional coalition of idealists and realists that had been supportive of foreign aid began to dissipate. The end of the Cold War was seen as an opportunity for a budgetary “peace dividend” and USAID, not the Defense Department, was the target. The Agency confronted allegations that it was poorly managed, had too many ill-defined goals (some 33 goals and 75 targets) and seemed unresponsive to U.S. foreign policy needs. When in 1992 Appropriations Committee Chair, Congressman David Obey, asked Secretary of State James Baker what was wrong, he replied, “I don’t know, Mr. Chairman, I don’t know.”

The Bush White House ordered a new study to find the answer. George Ferris, an old friend of the President, led a bipartisan commission to investigate. Their final report was highly critical of USAID management and recommended that USAID be merged into the State Department.¹⁰

The Clinton years

The merger issue consumed considerable attention in both the Executive Branch and Congress. USAID undertook a number of reforms, including the creation of the Office of Transitions Initiatives (OTI), which allowed the Agency to be more responsive to post-conflict situations. Other reforms included: an effort to focus agency programming around five developmental and humanitarian relief goals; the merger of four Washington bureaus into two; and identification of 21 overseas missions for closure based on the quality of the partnership, a graduation plan, or coverage of smaller countries from a regional base.

A year after these reforms were instituted, George Ferris was quoted publicly as describing the reforms as a “dramatic transformation” and announced that he was rescinding his recommendation to merge USAID into State.

Management reforms were not enough. USAID sought to demonstrate that other donors shared the goals of peace, prosperity, and democratic principles. Taking note of USAID’s effort to define its development goals in a strategy paper, USAID joined other donor agencies to suggest that DAC members write a political paper describing the goals of the development community. DAC Chair Jim Michel, former career State Department ambassador and acting administrator of USAID, drafted what emerged in 1996, after two years of intense negotiation, as “Shaping the 21st Century: The Contribution of Development Co-operation.” What emerged from the paper were eight goals, which were in turn adopted as part of a G-7 summit statement in 1998 and subsequently by the U.N. in 2001 as the Millennium Development Goals (MDGs).¹¹

The creation of goals accelerated the move toward results accountability. USAID had already moved in this direction, and the adoption of the MDGs and the deadlines set for achieving the goals (by 2015 in most cases) meant that all donors had to create data measurement matrices. Development cooperation was to be held accountable as never before. Now it was time to turn to effectiveness.

The effectiveness era

A summit meeting in Monterrey, Mexico on “Financing for Development” in March 2002 gave new impetus, not only to the effort to increase ODA, but also to encourage the mobilization of domestic resources through efficient tax systems, and more effective use of these resources. President George W. Bush went to this meeting armed with an announcement that the US would increase ODA. He eventually would tie his request to a new national security concept, arguing that defense, diplomacy and development—the 3Ds—were the three legs of U.S. security policy.

With the U.S. taking the lead in increasing ODA, the DAC organized a series of high level aid effectiveness forums. These Forums in Rome, Paris, Accra, and Busan produced a number of effectiveness principles, calling on donors to respect local ownership, to harmonize their reporting and auditing requirements, align their projects, be more transparent, and use country systems where possible.

At the 2011 Fourth Forum in Busan, Korea, the focus was on convincing South-South (S-S) donors to accept the principles adopted in the earlier forums. A “Working Party” created by the DAC engaged several “new providers” of aid including China, Brazil, and India. A Global Partnership for Effective Development Co-operation (GPEDC) was created in Busan with a Steering Committee co-chaired by a traditional donor, an

S-S provider, and a partner country representative. Subsequent forums in Mexico and Nairobi focused on implementation of the UN Sustainable Development Goals adopted in 2015 (see Aspen paper, “U.S. Global Leadership through an SDG Lens,” by Homi Kharas).

New goals and a new national security strategy

As the 21st Century moved into its second decade, there was even more convergence around the security and humanitarian rationales for foreign assistance. Today, global crises are either emerging or are at risk of unfolding due to transnational issues such as migration, infectious disease, and climate-related disasters. Likewise, ethnic and religious conflicts exacerbated by extreme poverty can quickly morph into region-wide conflagrations. Preventing these threats would require even more investments in development, and, to his credit, President George W. Bush recognized this, as did his successor, Barack Obama. Both presidents embraced a national security concept built around the 3Ds.

International cooperation in development may have reached a peak at the beginning of the second decade of the 21st Century. Traditional donors had increased Official Development Assistance (ODA) by 50 percent since the MDGs were adopted. A new set of universal goals—the Sustainable Development Goals—was adopted in 2015. South-South providers were becoming more active led by China, and triangular projects—with traditional donors, S-S providers, and partner countries working together—were increasing exponentially. Developing countries were contributing more as domestic resource mobilization systems (tax systems) became more efficient. Foreign Direct Investment was increasing particularly in middle-income countries. There was increasing evidence that the effectiveness principles were making an impact on behavior. While it was no longer the dominant influence, the United States continued to contribute to this positive trend, leading a willing international community.

Leadership under the “America First” banner

Was this enough to stem the inexorable surge of population and poverty? A world population that had increased by 5 billion since the founding of the UN and the Bretton Woods institutions was beginning to overwhelm the international system. It would take additional resources and new innovations to stabilize this new and increasingly volatile situation. For the most part, western democracies were not uniformly generous in responding. Instead, the immigration flows encouraged by conflict, criminal gangs, and poverty sparked a nativist, and at times populist, response.

It may be too early to tell whether the “America First” policies of the Trump administration will stymie efforts to fully implement a 3D national security strategy. The new administration’s recommended 30 percent cut in diplomacy and development foreign affairs accounts was rejected by Congress. Momentum for more effective development assistance—built over two administrations through initiatives such as the Millennium Challenge Corporation, the President’s Emergency Plan for AIDS Relief (PEPFAR), legislation to make food aid more efficient, reforms to AID Forward, the Development Innovation Laboratory—continue to garner strong bipartisan congressional support, including through the Trump administration’s USAID transformation program.

External support for U.S. aid is strong. Non-governmental policy and advocacy organizations like the Brookings Institution, the Modernization of Foreign Assistance Network (MFAN), the U.S. Global Leadership Coalition (USGLC), the Center for Global Development (CDG), and the Blum Center for Developing Economies at the University of California, Berkeley, have contributed creative ideas for invigorating U.S. development.

Efforts at reinventing U.S. architecture include:

- A proposal to merge and strengthen development finance programs under a new International Development Finance Corporation (see paper for Session III); the Aid Accountability and Transparency Act requiring public disclosure of official development assistance (ODA) in real time;
- Support for USAID Administrator Mark Green’s plan to merge the Office of U.S. Disaster Assistance and Office of Food for Peace;
- Creating a new Bureau for Development, Democracy, and Innovation, and combining (once again) USAID’s policy and budget functions;
- Promoting technology innovations, and;
- Introducing legislation to reform food aid.

The community of nations is under threat as populist political leaders challenge the international system. It is difficult to be optimistic, but so long as there is a vibrant development community seeking solutions, hope endures that logic will prevail. Development professionals are by nature patient. They know that political leaders will turn to them when all else fails.

1 Ruttan, Vernon; *United States Development Assistance Policy: The Domestic Politics of Foreign Economic Aid*; Johns Hopkins University Press; 1996.

2 Ibid

3 Ibid

4 <https://www.usaid.gov>

5 Zimmerman, Robert F.; *Dollars, Diplomacy, and Dependency: Dilemmas of U.S. Economic Aid*; An Institute for the Study of Diplomacy Book, Lynne Rienner Publishers; Fall 2003.

6 OECD, Development Assistance Committee; History of the 0.7% ODA Target; DAC Journal 2002, vol. 3 No. 4, pages III-9-III-11.

7 <https://www.usaid.gov/vietnam/history>

8 Ruttan Ibid

9 Atwood, J. Brian; “The New Democratic Frontier: Reflections on the Transition in Eastern and Central Europe”; National Democratic Institute, 1992.

10 Bacchus, William I.; *Political Science*; 2010.

11 OECD.org>DAC; “Shaping the 21st Century: The Contribution of Development Co-operation”; May 6, 1996.