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## Supplement

### Focus On China's Aid Policies Intensifies As Congress Considers Foreign Aid Reform

by  
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#### Executive Summary

For at least the past two years, a heated debate has developed on Capitol Hill and in the development community about the need to overhaul the U.S. system for delivering foreign assistance. In the aftermath of September 11, 2001, the Bush administration changed many aspects of the U.S. foreign aid program to support the new diplomatic and security imperatives of a world transformed by terrorism. However, lawmakers and experts alike developed serious concerns that the previous administration's organizational reforms and other aid innovations, in reality, risked crippling the system.

Within this context, Members of Congress also have explored via hearings and special studies the potential challenge to American interests posed by China's efforts to expand its international influence via development assistance, capital investment, and other non-military means. Some lawmakers have expressed alarm that China appeared to be filling an aid vacuum caused by reductions in the U.S. Agency for International Development's (USAID) field pres-

ence and other problems in the U.S. foreign assistance system. Members have been particularly concerned about the implications of "China's rise" as a prominent donor in Africa, Latin America, the Asia Pacific, and other regions where America historically has been the preeminent aid-giver.

As the new Congress tackles the ambitious task of reforming the U.S. foreign assistance system, lawmakers' nagging worries about the implications of China's emergence as a potential aid competitor may continue to influence these discussions and, in turn, could reshape U.S. aid programs in Asia, Africa, and other regions.

Not unlike other potentially problematic aspects of U.S.-China relations, experts maintain that the key to managing the "aid challenge" is engagement. But they emphasize that even before Washington actively explores development collaboration with Beijing, it is imperative that American policymakers put the U.S. foreign aid house in order by developing a coordinated, cohesive, and coherent aid system.

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## Concerns about 'Rising China,' U.S. 'Neglect' of Key Regions

Within the past decade, Members of Congress have devoted countless hearings, special studies, and staff field research to examining the various implications of China's emergence as a global power. More recently, however, lawmakers have sought greater insight into how China is trying to expand its influence—particularly in parts of the world where, in the words of Congressional staff experts, “U.S. dominance to date has been unparalleled and unquestioned”—through non-military means. This would include Beijing's use of development assistance, trade and investment, humanitarian and disaster relief, and other components of “soft power.”<sup>1</sup>

At the request of then Senate Foreign Relations Chairman Joseph Biden (D., Delaware), the Congressional Research Service produced a study about China's soft power in Asia, Africa, and South America.<sup>2</sup> In addition, the Senate Foreign Relations and House Foreign Affairs Committees each held hearings to examine the ramifications of China's growing engagement with African and Latin American nations. The annual report to Congress of the U.S.-China Security Review Commission also delved into how China used foreign assistance to build relations with certain developing nations.<sup>3</sup>

**Debate on Foreign Aid Reform**—Importantly, the findings of those hearings and studies frequently spilled over into discussions that were proceeding on a separate track about problems in the U.S. foreign aid system.

Following the attacks on September 11, 2001, President Bush created a three-pronged framework for U.S. national security, which established defense, diplomacy, and development as the essential, equal elements. He then dramatically increased the foreign assistance budget from \$10 billion in FY00 to nearly \$24 billion estimated for FY08. These funds were used to launch many new presidential aid initiatives aimed at reducing poverty through sustainable economic growth, fighting the spread of HIV/AIDS and other infectious diseases, countering the proliferation of illegal drugs, and fostering political and economic progress in the Middle East, among other goals.

The former White House also reorganized the management of the aid system by creating entirely new entities, such as the Millennium Challenge Corporation (MCC), and by bringing the U.S. Agency for International Development's (USAID) budget and programming more under the State Department's roof.

Members of Congress and development experts generally have applauded the former president's decision to more than double the U.S. foreign aid budget. But they have lambasted the Bush administration for the “structur-

al chaos,” communications breakdowns, diminished field presence and decision-making input, and overall lack of coherence caused by changes ostensibly aimed at giving greater strategic focus to the U.S. foreign assistance (see Appendix).

**China and the Aid Vacuum**—It is significant—and perhaps indicative of the high place occupied by China in the consciousness of many American lawmakers—that in the midst of a hearing focused on broader problems in the U.S. foreign aid system at least one lawmaker invariably would ask what Beijing was doing in a certain part of the world.

A chief concern expressed by not a few Members of Congress has been that China appears to be filling an aid vacuum created by the diminution of the field presence of the U.S. Agency for International Development (USAID) and other problems apparently created by the Bush administration's post-9/11 aid reforms. They have noted the following worrisome developments in regions where America historically has been the preeminent donor:

- The sharp decline in U.S. foreign aid to the Asia Pacific following the Cold War, the decision in 1994 to close USAID field offices in the South Pacific, and a subsequent, very aggressive effort on the part of both China and Taiwan to provide economic development assistance to these nations;
- A dramatic increase in Chinese aid flows to Africa—according to some reports, there has been a doubling or even tripling of aid spending in recent years—to often corrupt and repressive regimes (e.g., Sudan) for the purpose of securing energy and other natural resources; and
- A tenfold increase in total trade between China and Latin America and the Caribbean between 1999 and 2007, Beijing's cultivation of relations with the Venezuelan President Hugo Chavez and his promise to increase oil exports to China to 1 million barrels per day by 2011, and China's use of “checkbook diplomacy” in the Caribbean and Central America to “buy” diplomatic recognition.

**Lack of Transparency**—Experts on China's foreign assistance acknowledge that Beijing appears bent on playing a major role in global aid-giving. But they question the reliability of any data claiming dramatic increases in assistance to a particular country or region because the Chinese government insists that information is a state secret.

Prof. Carol Lancaster of Georgetown University suggests that Beijing may be reluctant to provide an accounting of their annual foreign assistance probably because government officials themselves do not know how large it is. Foreign aid, she explains, often is in the form of con-

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cessional loans and typically is lumped into a larger package of investments and trade deals with recipient nations. This can make it difficult to separate out the actual aid component.

Aid commitments also may cover activities over several years, making it hard to determine annual spending figures. In addition, various government agencies provide aid-like transfers abroad, but there apparently is no single entity that monitors these transactions. Prof. Lancaster further proposes that the Chinese government may not want to make public its foreign aid spending for fear this would spark a domestic backlash that the money is not being spent to alleviate poverty at home.

With those caveats, she estimates that the Chinese foreign assistance budget in 2007 was between \$1.5 and \$2 billion.<sup>4</sup> But other experts report that Chinese aid to Africa alone is in that range.<sup>5</sup> In any event, observers point out that these figures are dwarfed by the Bush administration's FY09 Foreign Operations budget request of \$22.7 billion, which includes a request for \$1.05 billion in foreign assistance for Afghanistan, alone.

Thus, until Beijing provides more clarity about its foreign assistance program, it is the view of some authorities that American policymakers should keep the "Chinese challenge" in perspective—but certainly not ignore it.

**Uneven Follow-Through**—Other experts have highlighted China's poor track record on aid follow-through as further reason to question the hype concerning its use of foreign aid to buy influence. The level of development assistance pledged by Beijing often does not always equal the amount that it actually disburses.

The Senate Foreign Relations Committee's "soft power" study cited an example of China's pledge of assistance to Indonesia following the 2004 tsunami. Beijing initially reported that it pledged \$63 billion in aid to Jakarta, which paled in comparison to the \$405 million pledged by Washington.

However, an article subsequently published in a Chinese publication put the actual amount at around \$22.6 million. The study urged Members of Congress to regard with a certain degree of caution and skepticism "initial headlines of PRC involvement" in a particular humanitarian or economic development initiative versus the actual follow-through.

## China In Africa

Bearing in mind the difficulties of determining exactly what China gives in development aid, experts nevertheless agree that there is sufficient data, published reports, and anecdotal information to conclude that the relationship between China and Africa has been growing rapidly in the past decade. At the November 2006 meeting Forum for China-Africa Cooperation (FOCAC),

Beijing, in fact, pledged to double its aid to Africa by 2009. This expansion has been occurring just as the U.S. civilian field presence has contracted owing to USAID cutbacks.

Prof. Lancaster has estimated that China's foreign aid to the region is anywhere from \$500 million to \$1 billion. Prof. Deborah Brautigam of American University, a noted African scholar, arrives at a similar figure. She estimates that China's African aid budget was \$616 million in 2007, but likely will reach \$1 billion by 2009. Brautigam further maintains that about 44 percent of China's total foreign assistance went to Africa since 2000.<sup>6</sup>

However, what the various studies and hearings revealed about the nature of China's African aid and Beijing's policy motivations is just as significant as the budget figures. This is because the characteristics and patterns of China's development activities in Africa also have been apparent in its aid initiatives in Latin America and certain Asia Pacific nations. These include:

**Competition with Taiwan**—China's involvement in Africa is not new, as Congressman Jim Kolbe notes in the January 2009 issue of USAPC's *Washington Report*. For at least the past 30 years, Beijing has been using development assistance and other economic incentives to woo African nations to formally grant it diplomatic recognition and further isolate Taiwan.

In some instances, recognition has switched back and forth between China and Taiwan based on the nature of aid to a particular nation.<sup>7</sup> Related to this, the Chinese government also has targeted development aid to build support within the developing country community for its policy goals in international forums such as the United Nations.

**Securing Natural Resources**—China has targeted assistance to African countries that are endowed with natural resources that it needs to develop its economy, specifically copper, timber, and oil.

**Emphasis on Infrastructure Development**—China also has focused both commercial investments and foreign aid on assisting African nations to develop their infrastructures. On the one hand, aid experts have acknowledged that China's focus on infrastructural development has been beneficial to impoverished African nations, particularly since many Western donors have been reluctant to fund such projects.

But on the other hand, these projects have come to represent a "symptom of the United States really being out of the game in infrastructure development in that part of the world" and falling behind in terms of "getting money out into the field for basic economic growth." In the longer term, this trend could prove highly disadvantageous to the United States strategically, in one analyst's view.<sup>8</sup>

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**'No-Strings' Aid**—Aid experts uniformly agree that China's unwillingness to attach conditions to its aid—such as economic reform, sound environmental practices, or protection of human rights—is one of the more troubling aspects of its foreign assistance programs. China has argued that this approach is consistent with its principle of non-interference in the affairs of sovereign states.

But critics fear that this practice will discourage needed economic and political reforms in developing African nations. They also worry that China's increasing provision of loans will burden recipients with levels of debt they cannot manage.

Deputy Assistant Secretary of State James Swan elaborated on this point to the Senate Foreign Relations Committee: "It is in China's interest to demonstrate to the international community that its policies in Africa are not driven solely by the desire to secure natural resources and access to major infrastructure projects, and that the Chinese government is committed to improving the long-term welfare and people across the continent," Swan said.<sup>9</sup>

**Underutilization of Domestic Resources**—Many of China's aid recipients in Africa have expressed their appreciation for the untied nature of the assistance and for Beijing's willingness to listen to the interests of its prospective partners. At the same time, though, there has been a rising chorus of complaints from African recipients about other characteristics of China's development activities. They point to China's underutilization of indigenous labor and financial and other resources, disregard for good environmental practices, and illegal activities (e.g., mining and logging) that deprive the local and national economies of much-needed revenue.

## China In Latin America

U.S. lawmakers' interest in China's economic relations and development policies in Latin America grew from what they observed occurring in Africa. Just as China has used foreign aid in Africa to achieve certain diplomatic goals, some Members of Congress feared that Beijing would dangle development carrots before our Latin American neighbors as part of a longer-term strategy of undermining U.S. influence in the Western Hemisphere.

Expert commentary presented via hearings and studies should have allayed these concerns. Authorities noted that, as in Africa, China's interest in developing relations with Latin American and Caribbean countries has been motivated by its desire to out-compete Taiwan for diplomatic recognition. As of February 2008, China enjoyed official diplomatic relations with 21 of the 31 nations in region, while the remaining 12 maintain relations with Taiwan.<sup>10</sup>

The nations of Latin America also interest China as

another source of natural resources, particularly various ores, soybeans, copper, iron, steel, and oil. However, as best it can be estimated, China's foreign assistance to Latin American and the Caribbean amounts to only 10 percent of its total aid budget.<sup>11</sup> This would be about \$50-\$60 million based on the estimates developed by Professors Lancaster and Brautigam.

In addition, while China's total trade with Latin American and Caribbean nations has ballooned from \$8.2 billion in 1999 to nearly \$102 billion in 2007, its trade and investment in the region represents only about 4 percent of its overall trade worldwide. U.S. economic relations with Latin America and the Caribbean, in comparison, account for nearly 20 percent of U.S. global trade.

The United States also enjoys a geographic advantage in pursuing political, economic, diplomatic, and security relations with the region. Thus, notwithstanding reports of lucrative oil deals with President Chavez, the consensus of informed observers is that the entirety of U.S. economic relations with the region—both commercial and development-related—will continue to far surpass that of China's.<sup>12</sup>

U.S. officials also have pointed out that the countries of Latin America and the Caribbean largely have achieved a consensus about democracy, free markets, and protecting the security of the state. They generally have reached a higher level of development than many of China's recipients in Africa.

Conditions therefore are not as conducive to the kind of exploitative, highly dependent, and corruption-prone relationships that have developed between China and some African aid recipients. In one analyst's words, "the severity of the problem that you see with China's engagement in Africa probably isn't going to replicate itself in quite the same way in the majority of the Latin American countries."<sup>13</sup>

Also important, U.S. officials say China is sensitive to the fact that the Western Hemisphere for decades has been the U.S. sphere of influence. Chinese officials have gone so far as to assure their American counterparts that their country has no plans to seek greater influence there by expanding development aid or employing other forms of soft power.<sup>14</sup>

## China In The Asia Pacific

One part of the world where a case could be made that China, indeed, has moved in to fill a vacuum created by U.S. retrenchment is in the Asia Pacific region. This remains the smallest regional recipient of U.S. foreign assistance—\$522.4 million requested in FY08—a fact that Bush administration officials attributed to (1) a "tough budget environment" given U.S. commitments in the Middle East and Afghanistan, but also (2) the relative

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peace and economic advancement of many countries in the region.<sup>15</sup>

These officials have been quick to note increasing levels of aid to the region following 9/11, concentrated in Indonesia and the Philippines as part of the broader war on terrorism. They also have noted America's rapid and generous humanitarian response following the 2004 tsunami. Surveys have shown that Washington's tsunami response appeared to boost the U.S. image in the region in the short-term.

However, that extraordinary level of giving was in response to a catastrophe and it has not been sustained as Indonesia has recovered. ". . . Other demands and priorities, such as those in Iraq, Israel, Egypt, Afghanistan, and Pakistan, have required greater resources to meet current circumstances," then Deputy Assistant Secretary of State Glyn Davis told members of the House Foreign Affairs Subcommittee on Asia, Pacific, and the Global Economy. Members of this panel criticized the Bush administration for, in effect, creating an open field for China.<sup>16</sup>

The Senate Foreign Relations' soft power study describes China's development impact in many countries in Southeast Asia as "growing and tangible."<sup>17</sup> Again, while it is difficult to quantify China's foreign assistance

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### ***China's aid projects in the South Pacific have done little to advance these nations***

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to region given its various forms and unknown origins in Beijing's bureaucracy, some analysts believe that China may be one of the largest bilateral aid donors in Southeast Asia, Japan being the largest. The competition between China and Taiwan does not appear to influence these initiatives as much as Beijing's broader goal of expanding its economic influence in its backyard.

As has been the case in Africa, China's aid often has more symbolic than actual value. Assistance that typically has been directed toward the construction of government buildings or energy plants has not fostered sustainable economic development, promoted democratic reforms, or protected the environment, critics have charged. Nevertheless, Southeast Asian recipients have welcomed China's aid because they regard its untied nature as respectful of their sovereignty.

The South Pacific, however, has become a battleground between China and Taiwan for influence. As elsewhere, development assistance is the quid pro quo for diplomatic recognition.<sup>18</sup> By some accounts, China has emerged as the third-largest source of foreign aid to the nations of the South Pacific.<sup>19</sup>

Washington's decision to withdraw its USAID mis-

sions from these nations in the mid-1990s has created the impression that the United States is indifferent to the interests and needs of South Pacific islanders. Consequently, the untied nature of the Beijing's aid "often garners appreciation disproportionate to the size of its aid," the Senate study maintains.

In reality, China's aid projects in the South Pacific have done little to advance these nations. Rather, the construction of government buildings (in Samoa), public facilities (a sports stadium in the Cook Islands), and infrastructure in Niue, for example—have served to exacerbate official corruption rather than promote sustainable development, critics charge.<sup>20</sup>

Regional specialists and Members of Congress with a special interest in the Asia Pacific have argued that the United States should re-invigorate its aid activities in the Asia Pacific as part of a comprehensive effort to expand engagement with the region.<sup>21</sup> The low level of regional aid and certain diplomatic "snubs," such as former Secretary of State Condoleezza Rice's decision in 2007 not to attend the annual ASEAN Regional Forum, has created a perception of U.S. neglect and inattentiveness to the Asia Pacific, they have argued.

The island nations of the South Pacific, in particular, warrant greater attention in the form of conditional U.S. assistance, some experts have urged. In the longer term, such aid would strengthen their political institutions and alleviate persistent poverty, they say.

The Bush administration appeared to set the stage for renewed focus there when it declared 2007 to be the "year of the Pacific" at the eighth Pacific Islands Conference of Leaders (PICL) in Washington, D.C. One important outcome of the May 2007 meeting was a discussion convened by the State Department on the sidelines of the PICL.

The department invited senior officials from various donor nations active in the region, including China, to explore development of a set of aid principles to ensure greater transparency, encourage sustainable development, and crack down on corruption. State Department officials have said this initiative was aimed expressly at discouraging "checkbox diplomacy" by China and Taiwan.<sup>22</sup>

Shortly thereafter, Washington also established a regional public diplomacy operation in Suva, Fiji. This office focuses primarily on educational and cultural exchanges. These initiatives have important symbolic value, but they still have relatively small-scale compared to China's efforts, some observers propose.

## **Engaging China On Foreign Aid**

The many implications of China's rise—economic, political, diplomatic, and security-related—will continue

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to preoccupy the 111th Congress. Thus, as lawmakers undertake the ambitious task of overhauling the U.S. foreign assistance system, their concerns about the volume, nature, and regional focus of Beijing's development activities likely will bleed into discussions about aid reform once again.

In this regard, some Members may argue that the United States should "do more" to counter the influence China is "buying" in many parts of the world through its aid offerings.

Congressman Kolbe counters that simply enlarging the foreign aid pie it is not the best solution. "We must ensure that the dollars are spent wisely and will have a long-term favorable impact," he maintains. The former House Appropriations subcommittee chair further urges lawmakers not to allow fears of a "Chinese menace" to cloud their judgment about what should be done. "We shouldn't build our aid program or measure it based on what the Chinese are doing," Kolbe says. Rather, the most effective response to the "Chinese aid challenge" in the longer term is to develop a "coordinated, cohesive, coherent [aid] program that speaks for itself and stands on its own two feet," he argues.<sup>23</sup>

**Collaboration**—In addition to getting our own house in order, Kolbe and others have proposed that the United States should continue to explore collaborating with

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***Washington has been encouraging Beijing to engage with other major bilateral and multilateral aid actors***

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China on development projects. Not only would this improve the coordination of development activities within a particular country, but it also would enable the sharing of foreign aid "best practices" and improve transparency in the Chinese system.

The multi-donor meeting on the sidelines of the PICL set a precedent for such discussions. The State Department had planned to follow this up in late 2008 with a new bilateral dialogue aimed at tackling some of the detrimental effects of China's unconditional aid, particularly in Africa. At press time, it was unclear whether those talks got off the ground last year or are planned for sometime in 2009.

Washington also has been encouraging Beijing to engage with other major bilateral and multilateral aid actors. As James Swan, then Deputy Assistant Secretary of State for African Affairs, told the Senate Foreign Relations Committee in early 2008, U.S. officials believe that China's unwillingness to coordinate with groups like the International Monetary Fund (IMF) and the World Bank ends up depriving it of an opportunity to make the most of its aid, loans, and investment in African nations and other

developing countries. "Transparency is key to understanding how creditors' assistance packages fit with a borrowing country's debt sustainability framework developed with the IMF and World Bank," he explained.<sup>24</sup>

But, as Prof. Lancaster warns, China may continue to be a bit stand-offish about collaboration. Chinese officials do not want their country to be identified as just one more member of the rich countries' aid club, she maintains. For political reasons, Beijing "wants to project [its] own distinctive image in Asia, Africa, and Latin America—one of South-South cooperation, of a special understanding and sympathy that comes from sharing problems of poverty; one of having emerged rapidly (but not yet completely) from those problems; and one that will provide them with a separate and privileged relationship with the governments that they are helping and cultivating," according to Lancaster.<sup>25</sup>

**Helping China to Reform**—Nevertheless, Chinese officials recognize that they need to better organize and manage their aid program—which appears to be equally if not more fragmented than the U.S. system—so that it can be more appropriately aligned with the nation's economic and political goals. Friction evidently has been building between the Ministry of Foreign Affairs, which wants to make greater use of foreign assistance as a diplomatic tool, and Ministry of Commerce, which manages most of the aid.

Consequently, Beijing has initiated dialogues with a few major donors, such as the United Kingdom and Sweden, to learn how these governments manage their aid programs. The Chinese government also has signed a memorandum of understanding with the International Finance Corporation about collaboration on environmentally sustainable projects in emerging markets. In addition, Congressman Kolbe notes that the Chinese have begun to participate in donor coordination groups in selected developing countries.

These activities would appear to create a favorable backdrop for an ongoing U.S.-China dialogue on foreign assistance. The Senate Foreign Relations Committee's "soft power" study, indeed, proposed that Washington seize the opportunity created by Beijing's evaluation of its aid program to help Chinese officials design, coordinate, and increase the efficiency of their fledgling foreign aid structure.<sup>26</sup>

## **Outlook**

It is unclear whether the Obama administration will act on any of these recommendations in the near term. During the first six months of 2009, the White House and Congress will be devoting considerable time and energy to enacting urgent domestic economic reforms.

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No one seems to know exactly when administration officials and lawmakers will get down to the business of overhauling the foreign aid system. Aid experts emphasize that it is imperative that policymakers put the U.S. foreign aid house in order before considering how to address the China “aid challenge.”<sup>27</sup>

But regardless of when and how Congress tackles aid reform, China’s global aspirations and use of “soft power” tools will continue to be of keen interest to lawmakers. In addition, engagement with Beijing likely will rank high on the foreign policy agenda of the Obama administration.

During the campaign, foreign policy advisors to then-candidate Obama suggested that he may continue the sort of high-level U.S.-China dialogue begun under the Bush administration.<sup>28</sup> Some experts, in turn, have suggested using a forum like the former U.S.-China Strategic Economic Dialogue to explore collaboration on development issues, generally, and reform of aid structures, in particular.<sup>29</sup>

Other members of the development community say such discussions are better pursued at the working level by relevant State Department and USAID officials. In any event, with China set to play a major role in global aid-giving, most agree that the United States should not wait too long to expand its dialogue with China on this issue. ♦

## Endnotes

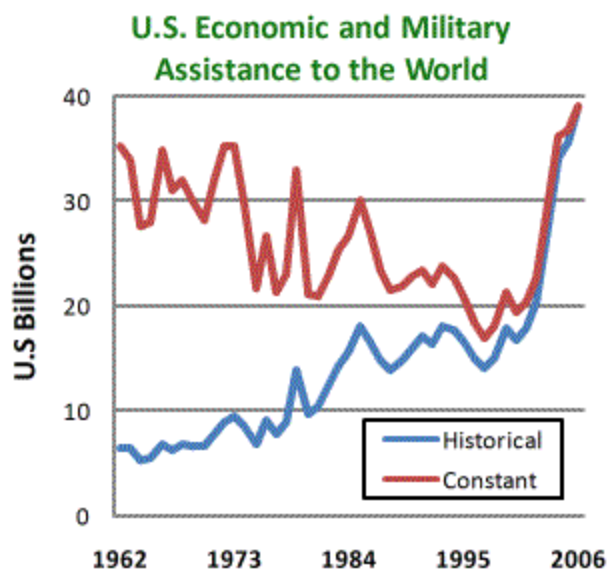
1. The term “soft power” was developed by Prof. Joseph S. Nye, Jr. of Harvard University. It refers the ability of a country to get what it wants from another country through attraction rather than coercion or payments. The components of “soft power” include international trade, overseas investment, development assistance, humanitarian aid and disaster relief, diplomatic initiatives, cultural influence, education, travel and tourism.
2. Congressional Research Service, “China’s Foreign Policy and ‘Soft Power’ in South America, Asia, And Africa,” a study prepared for the Committee on Foreign Relations, United States Senate, April 2008.
3. U.S-China Economic and Security Review Commission, 2008 Report to Congress, November 2008. Available at <http://www.uscc.gov>
4. Carol Lancaster, “The Chinese Aid System,” Center for Global Development Essay, June 2007.
5. Harry G. Broadman, *Africa’s Silk Road: China and India’s New Economic Frontier*, World Bank, 2007.
6. Congressional Research Service, *op. cit.*
7. As of February 2008, Taiwan enjoyed official recognition with only four African nations: Burkina Faso, Gambia, Sao Tome and Principe, and Swaziland.
8. Lael Brainard, The Brookings Institute, testimony before the Committee on Foreign Affairs, U.S. House of Representatives, April 23, 2008.
9. James Swan, Deputy Assistant Secretary of State for African Affairs, testimony before the Senate Foreign Relations Subcommittee on African Affairs, June 4, 2008.
10. Taiwan has official relations with Belize, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.
11. Congressional Research Service, *op. cit.*
12. *Ibid.*
13. Daniel P. Erikson, Inter-American Dialogue, testimony before the House Foreign Affairs Subcommittee on the Western Hemisphere, June 11, 2008.
14. Congressional Research Service, *op. cit.*
15. Glyn T. Davies, Deputy Assistant Secretary of State for Australia, New Zealand, and the Pacific Islands, testimony before the House Foreign Affairs Subcommittee on Asia, the Pacific, and the Global Environment at a hearing on “U.S. Assistance In East Asia And The Pacific: An Overview,” September 20, 2007.
16. *Ibid.*
17. Congressional Research Service, *op. cit.*
18. Among the nations of the South Pacific, Taiwan enjoys official relations with Kiribati, the Marshall Islands, Nauru, Palau, the Solomon Islands, and Tuvalu.
19. Congressional Research Service, *op. cit.*
20. *Ibid.*
21. Hon. Eni Faleomavaega (D., American Samoa), remarks before the House Foreign Affairs Subcommittee on Asia, the Pacific, and the Global Environment at a hearing on “U.S. Assistance to East Asia and the Pacific: An Overview,” September 20, 2007.
22. Davies, *op. cit.*
23. Hon. Jim Kolbe, German Marshall Fund of the United States, interview in the U.S. Asia Pacific Council’s *Washington Report*, January 2009.
24. Swan, *op. cit.*
25. Lancaster, *op. cit.*
26. Congressional Research Service, *op. cit.*
27. Kolbe, *op. cit.*
28. Michael Schiffer, senior Asia advisor to Sen. Barack Obama (D., Illinois), interview in USAPC’s *Washington Report*, September 2008.
29. Elizabeth Economy, testimony before the Senate Foreign Relations Committee at a hearing on, “China in Africa: Implications for U.S. Policy,” June 4, 2008.

# Appendix: Background on the U.S. Foreign Aid Reform Debate

## The 'Three-D' Framework

The September 11 attacks on the United States prompted various short-term, security-related responses, such as the military campaign in Afghanistan and the relatively timely establishment of new policies and agencies aimed at enhancing U.S. homeland security. But this horrific event also set in motion a longer term, comprehensive review of U.S. national security strategy and the role of U.S. foreign assistance programs within that strategy.

President Bush created in 2006 what has come to be known as the “Three-D” framework, which established defense, diplomacy, and development as the three essential elements of U.S. national security strategy. Development was viewed as reinforcing diplomacy and defense by reducing long-term threats to U.S. security and, in turn, by helping to build stable, prosperous, and peaceful societies. “Improving the way we use foreign assistance will make it more effective in strengthening responsible governments, responding to suffering, and improving people’s lives,” the National Security Strategy of 2006 stated.



Source: U.S. Agency for International Development

The Bush administration then dramatically increased the budget for foreign aid programs from \$10 billion in FY00 to nearly \$24 billion estimated for FY08. These funds have been used to launch many new presidential aid initiatives aimed at reducing poverty through sustainable economic growth, fighting the spread of HIV/AIDS and other infectious diseases, countering the proliferation of illegal drugs, and fostering political and economic

progress in the Middle East, among other goals.

The former White House also reorganized the management of its aid system by creating entirely new entities, such as the Millennium Challenge Corporation (MCC), and by bringing the U.S. Agency for International Development's (USAID) budget and programming more under the State Department's roof.<sup>1</sup>

As Prof. Carol Lancaster of Georgetown University has noted, this was the first time in many decades that a U.S. president had declared that promoting development abroad was a key priority in U.S. foreign policy. In the post-Cold War 1990s, in contrast, the importance of aid (and its volume) declined in response to growing doubts about its effectiveness in furthering development, particularly in Africa (see chart). Expanding the volume of U.S. aid brought it to a level more consistent with international needs, with the U.S. role as a global superpower, and with the ability of the United States to provide economic assistance, she has proposed.<sup>2</sup>

Lancaster and other aid experts acknowledged additional benefits of the “Three-D” framework. Promoting development as a priority in U.S. foreign policy reflected the security-related realities of the 21st century “in which massive disparities in wealth and opportunity in a rapidly integrating world can generate serious threats to U.S. interests at home and abroad.”

In addition, it reflected the values and views of many Americans that they should help bring their “wealth and blessings to the two billion of the world’s population in severe deprivation.”<sup>3</sup> Congressional staff made a similar observation in their analysis of the U.S. foreign aid system: the Bush administration's focus on development as a strategic goal caused the security-related and humanitarian instincts that have shaped U.S. aid policy to be seen as more mutually reinforcing than in the past.<sup>4</sup>

## Transformational Diplomacy

Former Secretary of State Condoleezza Rice was the architect of organizational changes that were aimed at making U.S. foreign assistance a more coherent and coordinated third pillar of the post-9/11 national security strategy. Development aid was to become a key driver in “transformational diplomacy,” she declared in early 2006. This new approach to diplomacy, which Rice developed to implement the “Three-D” principles, focused on advancing democratic reform throughout the world and, in so doing, rooting out the “oppression and despair” that gave rise to the September 11 attacks.

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Since foreign aid now had a strategic purpose, Rice endeavored to rectify systemic problems caused by what some development experts have described as “20 years of accumulated neglect.” Responsibility for administering development programs had splintered across numerous government agencies. Implementation often overlapped and budgets were hard to track.

In addition, U.S. foreign assistance appeared to lose some of its moorings in the post-Cold War period. Every “good cause” could secure a piece of foreign assistance budget if it could convince a Member of Congress to champion it as a budgetary earmark. The end result was an unwieldy system with multiple purposes, accounts, programs, and authorities.<sup>5</sup>

To remedy this chaos, the former Secretary of State created a new position, director of foreign assistance (DFA), which enjoyed deputy secretary rank. Importantly, the individual appointed DFA also was nominated to serve concurrently as USAID administrator, with authority for all State Department and USAID foreign assistance programs as well as responsibility for guiding and coordinating foreign aid delivered by other government agencies. Randall Tobias was tapped to wear these two bureaucratic hats.

In an effort to more effectively align U.S. foreign assistance with American foreign policy goals, Tobias established the “F Bureau” (for foreign assistance) at the State Department. In turn, he developed the Strategic Framework for Foreign Assistance, which was dubbed the “F process,” to guide aid planning and programming. Presented as an elaborate matrix, it designated five broad objectives for foreign aid:

1. Creating peace and security;
2. Supporting just and democratic governance;
3. Encouraging investment in people;
4. Supporting economic growth; and
5. Providing humanitarian assistance.

The strategic framework then created five categories of developing countries based on the development challenges they face and the types of aid they would receive:

- a. Rebuilding—states in or emerging from and rebuilding after internal or external conflict;
- b. Developing—states with low- or lower-middle-income not meeting minimum levels of political, economic, and social freedoms to promote broad-based sustainable economic growth;
- c. Transforming—states with low- or lower-middle income that are meeting minimum levels of political, economic, and social freedoms to promote broad-based sustainable economic growth;
- d. Sustaining—states with upper-middle-income or

greater for which U.S. support is provided to sustain partnerships, progress, and peace; and

- e. Reforming—states of concern where there are significant governance issues that have led to legislative restrictions or prohibitions against assistance.

Each of the five transformational stages on one axis of the grid is associated with an appropriate set of activities from each of the five development objectives on the other axis.<sup>6</sup> So, for example, for the “rebuilding” transformation stage and the objective of “peace and security,” foreign assistance should therefore aim to “prevent or mitigate state failure and/or violent conflict.”

Tobias argued that the “F process” would ensure both coherence and consistency of aid policies and programs with transformational diplomacy. He stressed that the key to success laid in having the “F Bureau” define the strategy, while the USAID field offices would focus on devising its implementation. Accordingly, the field offices were required to prepare operational plans that specified exactly how the allocations made by Washington for the strategy it developed would be achieved.

## Problems With The “F Process”

While most foreign policy professionals agreed that a more organized and strategic approach to foreign assistance was needed, implementation of the “F Process” proved to be problematic for various reasons. For one, the roll-out of the new strategy evidently was rushed and disorganized owing to the press of budget deadlines.

In addition, although Tobias transferred to the State Department nearly all of USAID’s personnel from the bureau of policy and program coordination, the “F Bureau” nevertheless did not appear to be appropriately staffed with seasoned aid professionals.<sup>7</sup>

But the problems went beyond transitional glitches. Congressional authorizers and appropriators in both houses, apparently catching wind of these difficulties, began a series of hearings in early 2007 to examine foreign aid reform more generally, and the “F Process,” specifically. They also asked congressional staff to examine broader changes to the U.S. foreign assistance system instituted by the Bush administration.

**Lack of Consultation with Congress**—The immediate concern of key lawmakers appeared to be that the State Department in creating the “F Process” had run rough-shod over their oversight authority. Indeed, during DFA Tobias’ first appearance before the House Foreign Affairs Committee in March 2007, then Chairman Tom Lantos (D., California) devoted a good portion of his opening statement to chastising him for making extensive

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changes to the foreign assistance system “under a shroud of secrecy.” Lantos admonished DFA Tobias for not listening to Congress and experts in the field and instead charging ahead and making drastic changes. “A process that begged for transparency was instead undertaken behind closed doors, under cover of darkness in Foggy Bottom” the former chairman charged.<sup>8</sup>

A Senate staff report on the Bush administration’s overhaul of the foreign aid system issued later in 2007 also pointedly reminded the executive branch that it is a congressional prerogative, “and, indeed, responsibility to provide robust oversight, policy guidance, and a sense of the American people’s collective judgment on important foreign assistance decisions.”<sup>9</sup>

But in addition to exposing an apparent breakdown in communication between the two branches of government, the hearings, field work by congressional staff, and related articles and studies by experts in the development community revealed the following problems with the “F Process:”

**Over-Centralization**—Expert witnesses and Members of Congress alike found fault with the “F Process” for not allowing sufficient field input into decision-making. Lantos further criticized Tobias at the March 2007 hearing for failing to adequately consult with USAID field staff and embassy personnel about country needs in developing programs. “Successful and sustainable foreign assistance programs can only be developed and implemented by people with detailed knowledge of the realities on the ground,” Lantos told the former DFA.<sup>10</sup>

Three former USAID administrators echoed this view in a strong critique of the evolution for foreign aid programs under the Bush administration. Former Administrators Brian Atwood, Peter McPherson, and Andrew Natsios observed that centralization of the U.S. government’s aid programs “may satisfy the needs of key players in both the executive and legislative branches for command and control, but it increase[d] the risk of program failure [because the programs] have not been customized to the poor countries and . . . built on local ownership.”<sup>11</sup>

**Communications Disconnects and Red-Tape Burdens**—Another consequence of the centralization of foreign aid policy and programs has been a breakdown in clear and consistent communication between the “F Bureau” and field personnel. Staff of the Senate Foreign Relations committee heard complaints from embassy officials and USAID staff that requests for information from the “F Bureau” often were “reversed, re-ordered, continuously revised,” and in the end, information from the field often appeared to be unread and overlooked as decisions contrary to field advice went unexplained.<sup>12</sup>

In addition, USAID field staff found themselves burdened with producing very detailed operational plans

(OP) that, in their view, did little to advance development goals and objectives. The OPs required detailed descriptions of every assistance project, including its purpose, vendor, and budget, for a one-year timeframe.

This was far too much detail and too great length, according to these field interviews, and OP preparation “sapped time and energy from the embassy’s long-term planning [which] is an essential component of coordination with other bilateral and multilateral donors.” Senate Foreign Relations Committee staff concluded that the “F Process” was regarded from the field as “painfully time-consuming and . . . adding no value to field operations, planning and coordination.”<sup>13</sup>

**Different Missions/Staff Requirements**—Yet another downside of bringing USAID more under the State Department’s purview concerns their fundamentally different missions and personnel requirements. The priority of the State Department is to address pressing international issues and develop relations with countries through various non-military means. Accordingly, U.S. foreign service officers are trained in diplomacy, negotiating, political analysis, and other skills aimed at preventing and/or resolving conflicts through non-military means.

In contrast, USAID historically has focused on managing longer-term programs aimed at achieving sustainable economic growth. Accordingly, its aid professionals typically are trained to implement programs on the ground using various technical and managerial skills.

As former USAID Administrators Atwood, McPherson, and Natsios observed, the urgency of the State Department’s diplomatic mission and the collective mindset of its personnel has ended up overwhelming the USAID development agenda. “The problem lies not in individuals but in clashing organizational cultures, management systems, and time horizons,” they have argued.<sup>14</sup>

Key congressional appropriators also have expressed concern about the apparent diminution of USAID’s field presence as a result of recent organizational changes. Tim Rieser, a professional staff member on the Senate Appropriations Committee, said recently that many lawmakers who have played active roles in developing foreign aid policy have regarded USAID’s greatest strength as being its direct engagement with government and civil society organizations on the ground.

But as USAID’s ability to carry out its mission has shrunk over the years, it has become a “check-writing agency” for large development contractors, Rieser and others experts have lamented. USAID officials instead often serve as managers of programs rather than as technical, hands-on experts who can step right in and solve a problem.

“This is not what Senator Leahy [Senator Patrick

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Leahy, D., Vermont, who has been chairman of the Senate Appropriations subcommittee with jurisdiction over the foreign aid budget] thinks USAID should be doing," Rieser has maintained. Lawmakers want a much more hands-on agency that is well-staffed with people who have the technical expertise in agriculture, health, energy and environment, business development, governance, and justice—"all the different areas that USAID has [had] a role in," according to Rieser.<sup>15</sup>

## Other Concerns about Aid Reform

Congressional investigators and aid experts found that problems caused by the centralization of aid policy and programming at the State Department were compounded by other systemic weaknesses.

**Reduced Civilian Capabilities**—USAID has suffered from progressive staff reductions in recent years, which in conjunction with centralization under the "F Process," has crippled its on-the-ground capabilities. In 1980, the agency had 4, 058 permanent American employees; by 2008, that number had dropped to 2,200.<sup>16</sup> During the past decade, these personnel cuts have forced USAID to close 26 overseas missions.

As described above, the downsizing also has resulted in a significant loss of technical expertise, forcing USAID to rely increasingly on outside contractors. Importantly, aid experts have observed that the agency has lost its ability to respond quickly to local conditions and needs. USAID therefore can no longer move faster than its foreign counterparts in addressing economic developmental needs, they have argued.

In the post-9/11 environment, the Department of Defense increasingly has filled the gap created by the contraction of USAID field capabilities. Between 2002 and 2005, the share of U.S. official development assistance channeled through the Pentagon budget surged from 5.6 percent in 2002 to 21.7 percent in 2005, rising to \$5.5 billion.<sup>17</sup>

The "Three-D" framework enabled what aid experts have referred to as a "creeping militarization" of U.S. foreign and development policy, particularly in the Middle East and Central Asia. By virtue of its vastly greater, wartime resources and organizational capacity, the Pentagon began to overtake the civilian capabilities of the State Department and USAID in post-conflict stabilization efforts, humanitarian assistance, and some traditional foreign aid programs.

Both Members of Congress and even some senior Bush Administration officials expressed alarm about this development. They questioned whether this shift made the best use of Defense, State, and USAID capabilities and was consistent with their respective missions. Experts concurred that the steady migration of functions and authorities from the civilian to military agencies risked weakening the

Secretary of State's primacy in setting the agenda for U.S. relations with foreign countries and the Secretary of Defense's focus on war fighting.

Moreover, the now higher profile of the U.S. military in many developing countries potentially could create the appearance that the Pentagon is dominating all aspects of American policy overseas. If that perception indeed took hold, this would weaken bilateral relationships that are necessary in the war against terror, these experts warned.<sup>18</sup> Some influential African officials evidently have voiced precisely those concerns with respect to AFRICOM, the Pentagon's new combatant command for Africa.

Secretary of Defense Robert Gates, in particular, emerged as an unexpected advocate for reversing this trend and expanding civilian capabilities in U.S. overseas missions. In a speech on July 15, 2008 to the U.S. Global Leadership Campaign, a group that brings together representatives of private humanitarian relief organizations and corporations, Secretary Gates noted the importance of diplomacy, humanitarian and development assistance, and other non-military "tools of persuasion and inspiration" in expanding American influence during the Cold War.

According to the U.S. defense chief, the post-9/11 environment requires a comparable commitment of diplomatic and development actions that "build trust and credibility over time." But America's civilian institutions for diplomacy and development "have been chronically undermanned and underfunded for far too long . . . relative to the responsibilities and challenges our nation has around the world," he said. Gates called for greater funding for U.S. diplomacy and development assistance so that the U.S. military is clearly seen to be in a supporting role to civilian agencies.<sup>19</sup>

**Multiple Funding Streams and Programs**—Not only did President Bush effectively carve out a new role for the Defense Department in providing development assistance, but the former chief executive also created a number of new assistance programs to enhance the "development" aspect of the "Three-D" framework. These include the Millennium Challenge Corporation (MCC), the President's Emergency Plan for AIDS Relief (PEPFAR), the President's Malaria Initiative (PMI), and the Middle East Partnership Initiatives (MEPI), among others. The PEPFAR, the PMI, and the MEPI are funded through the State Department, but the MCC was created as a de facto stand-alone entity with its own budget (see box on page 12).

This means that the U.S. government now has multiple, separate streams of funding for foreign assistance. These include USAID, the State Department, the MCC, and the Defense Department. In addition, some experts estimate there are as many as 20 small aid programs dispersed among various other non-foreign-affairs agencies, such as the Departments of Agriculture,

## Selected Presidential Initiatives on Foreign Assistance

**Millennium Challenge Corporation (MCC)**—The MCC was established in January 2004. It is based on the principle that aid is most effective when it reinforces good governance, economic freedom, and investments in people. It carefully selects aid recipients by evaluating their performance according to 17 independent and transparent policy indicators. To date, 26 countries have either concluded or are in the process of negotiating a compact for MCC assistance. Appropriations for fiscal years 2004 to 2008 totaled more than \$7.5 billion, of which \$6.4 billion was set aside for compact assistance. President Bush requested an additional \$2.2 billion for MCC in FY09, of which MCC plans to use \$1.9 billion for compact assistance to eligible countries.

**The President's Emergency Plan For AIDS Relief (PEPFAR)**—PEPFAR was a commitment of \$15 billion over five years (2003-2008) made by President Bush to fight the global HIV/AIDS pandemic. The program initially aimed to provide antiretroviral treatment to 2 million HIV-infected people in resource-limited settings, to prevent 7 million new infections, and to support care for 10 million people by 2010. PEPFAR is the largest commitment ever by any nation for an international health initiative dedicated to a single disease.

**President's Malaria Initiative (PMI)**—In June 2005, President Bush launched the PMI, which increases support for international malaria programs by more than \$1.2 billion between FY06 and FY10. PMI's goal is to reduce deaths due to malaria by 50 percent in 15 countries by focusing on those most vulnerable, such as children under five and pregnant women.

**Middle East Partnership Initiative (MEPI)**—The Bush administration created the MEPI in December 2002 to promote political and socio-economic progress in the Middle East and North Africa. It is managed by the State Department's Bureau of Near Eastern Affairs and works to fund entrepreneurs, organizations, and projects that potentially may provide a strong multiplier effect.

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Health and Human Services, Labor, and Treasury. While the MCC has earned high marks from aid professionals and bipartisan members of Congress as an innovation in U.S. foreign aid,<sup>20</sup> most also agree that this and other presidential aid initiatives have further fragmented an already unwieldy system.

The resulting "structural chaos," according to former USAID Administration Natsios, has become so serious that has compromised the effectiveness of the system. The plethora of programs often work at cross-purposes and/or duplicate each other's efforts, causing delays in implementation, waste, and management confusion.

In addition, the budgetary requirements of these presidential initiatives increasingly have cut into the budgets for traditional development assistance programs focused on education, agriculture, and broader health care needs. The latter trend is worrisome because "each builds on the other;" lack of educational aid will undermine efforts to combat the spread of HIV/AIDS, and so forth. Natsios argues that there is substantial evidence none of these other agencies or presidential initiatives has improved on USAID's performance, and some have done much worse.<sup>21</sup>

**Congressional Earmarks**—The profusion of congressional earmarks has undermined systemic coherence in much the same way as have presidential initiatives and the splintering of aid programs among various agencies. An earmark refers to funds provided by Congress for projects or programs where the congressional direction (typically in an appropriations bill or accompanying report) specifies a

location or a specific recipient. The HELP Commission sounded the alarm about the impact of earmarks in its 2007 report, arguing that excessive earmarking reduces resources available for other worthwhile activities and can be disruptive to maintaining coherency of development goals and strategies.<sup>22</sup>

Former USAID Administrators Atwood, McPherson, and Natsios noted the political appeal of narrower, earmarked programs because they appear to have a direct, quantifiable impact on a specific group of individuals. But this short-term focus ends up compromising the construction of sustainable institutions that promote long-term development, they argued.<sup>23</sup>

Earmarks also can send confusing messages and appear nonsensical, such as a provision that mandates the construction of ramps in rural Afghanistan hospitals so they comply with the Americans with Disabilities Act even though there are no wheelchairs in the area.

According to Gerald Hyman of the Carnegie Endowment for International Peace, Congress began earmarking the foreign aid budget heavily following the Cold War because the purpose of development assistance—that is, fighting Soviet influence—was less clear. The lack of strategic focus for U.S. foreign assistance, in Hyman's view, made it much easier for most any non-government organization or interest group representing a "good cause" to make their case for a

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slice of the aid pie to a sympathetic Member of the House or Senate.<sup>24</sup>

But even under the “Three-D Framework,” earmarking has continued, as the Senate Foreign Relations Committee staff learned by means of its field research. Embassy staff complained about earmarked programs taking precedence over initiatives that they believed would be far more useful. Some lawmakers also have proposed that the “F Process” centralization of aid policy and the DFA’s alleged unwillingness to actively consult with Congress about development priorities, in fact, has created an incentive to earmark.

In any event, the Senate staff report suggests that earmarking may be hard to eliminate no matter how well-conceived the foreign aid strategy. “This phenomenon is part of the democratic process and will continue to create rigidities and hurdles, complicating the endeavor [for greater systemic coherence.],” the report stated.<sup>25</sup>

**Outdated Statutory Foundation**—Finally, the consensus on Capitol Hill and in development community is that the statutory foundation for U.S. foreign assistance, the Foreign Assistance Act of 1961 (FAA), is woefully outdated. The 500-page bill was enacted during the height of the Cold War and its provisions generally were aimed at undermining the salience of the communist model of state-dominated economic planning. Moreover, it has not been authorized since 1985.

Rep. Howard Berman, the current chairman of the House Foreign Affairs Committee, has described the FAA as “antiquated and desperately overburdened” and unable to provide the “flexibility and necessary authorities for our civilian agencies to tackle global extremism, poverty, corruption, and other threats to [U.S.] long-term national security goals.”<sup>26</sup>

Members of the authorizing and appropriating committees in both chambers have expressed similar opinions and there is considerable support in both chambers for overhauling the FAA in 2009. Berman has indicated that such legislation would serve as a vehicle to enact reforms aimed at rectifying problems with the “F Process” and other systemic weaknesses. ♦

## Endnotes

1. The U.S. Agency for International Development (USAID), established in 1961, until recently was the principal U.S. bilateral aid agency. The agency enjoyed a fair degree of autonomy throughout much of its nearly 50 years, although periodically there were proposals to divide it or merge it with the State Department. In 2001, the State Department took over USAID’s account, which is presented to Congress as part of the department’s budget request for international affairs. Although critics of the Bush Administration’s foreign aid reforms have charged that the so-called “F Process”

has compromised USAID’s independence still further, its website nevertheless describes it as “an independent federal government agency that receives overall foreign policy guidance from the Secretary of State.”

2. Carol Lancaster, *George Bush’s Foreign Aid: Transformation or Chaos?* Center for Global Development, May 16, 2008.
3. Lancaster, *op.cit.*
4. Committee on Foreign Relations, United States Senate, “Embassies Grapple To Guide Foreign Aid,” November 16, 2007.
5. Gerald Hyman, “Assessing Secretary of State Rice’s Reform of U.S. Foreign Assistance,” Carnegie Paper No. 90, February 2008, Carnegie Endowment for International Peace.
6. See <http://www.state.gov/documents/organization/88433.pdf>
7. Hyman, *op. cit.*
8. Hon. Tom Lantos (D., California), remarks before the Committee on Foreign Affairs, U.S. House of Representatives, at a hearing on “Foreign Assistance Reform,” March 8, 2007.
9. Committee on Foreign Relations, United States Senate, *op. cit.*
10. Lantos, *op. cit.*
11. J.Brian Atwood, Peter McPherson, and Andrew Natsios, “Arrested Development,” *Foreign Affairs*, November/December 2008.
12. Committee on Foreign Relations, United States Senate, *op. cit.*
13. *Ibid.*
14. Atwood, McPherson, and Natsios, *op. cit.*
15. Timothy Rieser. Interview in *Frontlines*, a publication of the U.S. Agency for International Development, November 2008.
16. Atwood, McPherson, and Natsios, *op. cit.*
17. Committee on Foreign Relations, United States Senate, hearing on “Defining the Military’s Role Toward Foreign Policy,” July 31, 2008.
18. Mary Locke, testimony before the Committee on Foreign Relations, United States Senate, July 31, 2008.
19. See <http://www.defenselink.mil>
20. Aid professionals have commended MCC for supporting locally owned and designed initiatives, rather than imposing a program developed by an outside entity. In addition, they have applauded the so-called “MCC effect,” a term that refers to the efforts of countries that fall short on some of the performance indicators to pursue reforms that ultimately will qualify them for MCC assistance. Andrew Natsios, “The Foreign Aid Reform Agenda,” *Foreign Service Journal*, December 2008.
21. Helping to Enhance the Livelihood of People

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22. around the Globe (HELP) Commission, *Beyond Assistance*, December 2007. See <http://helpcommission.gov>
23. Atwood, McPherson, and Natsios, *op. cit.*
24. Hyman, *op. cit.*
25. Committee on Foreign Relations, United States Senate, *op. cit.*
26. Committee on Foreign Affairs, U.S. House of Representatives, hearing on "Foreign Assistance Reform," April 23, 2008.



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