

***The Development GAP Contributes Field-Based Proposal to the Congressional Effort to Reform Foreign Aid***

After collaborating with the Congressional Progressive Caucus and sharing a proposal for a fundamental reform of development assistance with the House Foreign Affairs Committee, The Development GAP provided testimony on the subject in July to the Senate Foreign Relations Committee. Based on its three decades of work on foreign aid, both on the ground overseas and with policymakers in Washington, the organization's president addressed how the U.S. aid program would have to be structured and operate in the field in order to be successful. He emphasized that, rather than the level of funding, the key factors in the effective support for the building of strong, equitable and sustainable national economies are investments in appropriate institutions, the participation and knowledge of affected populations, and a structured separation of development assistance from non-development objectives and interests.

**STATEMENT OF STEPHEN HELLINGER  
PRESIDENT, THE DEVELOPMENT GAP  
FOR THE SENATE FOREIGN RELATIONS COMMITTEE ON  
"THE CASE FOR REFORM: FOREIGN AID & DEVELOPMENT IN A NEW ERA"  
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I appreciate the opportunity to share the thoughts and recommendations of our organization on the necessity and nature of foreign aid reform with the members of the Committee. The Development GAP has a long history in the reform effort, having translated its field experience in Africa, Latin America and the Caribbean on behalf of USAID, the World Bank and smaller aid agencies into collaboration with Congress during the 1970s, '80s and 90s in the development of practical, cost-effective development assistance programs and proposals. We were also able to utilize this experience in assisting USAID's Administrator at the start of the Clinton presidency in the effort to reorient the Agency's operations, as well as the World Bank's President later in the decade in assessing the broad-based impact of the Bank's economic policies.

The fact that no fundamental and far-reaching reform was achieved during all these years explains in good part why our aid program has been generally ineffective and often alienating abroad and has lacked support at home among the American people. The pervasive and intensifying hunger, poverty, marginalization and anger around the world and the often violent reactions to the manner in which U.S. economic power has been exercised makes it all the more imperative that we now shape an aid program that transforms the way in which our government engages the people of the global South.

More specifically, we must redesign our development assistance program so as to help recipient countries and beneficiary populations build upon their own resources, capabilities, initiatives and priorities to construct, in a democratic fashion, more equitable, sustainable, integrated and self-reliant economies. Such a program should emphasize:

- Responsiveness to local realities, knowledge and priorities
- Equitable, broad-based development and poverty reduction
- Environmental and development sustainability
- Appropriateness and capacity of implementing institutions
- Protection and promotion of universal human rights
- Support for strong, integrated national economies
- Separation of development assistance from other objectives
- Cost effectiveness
- Values and measures broadly supported by the American people
- Enhancement of U.S. security and image abroad

Structure must follow function and, while we are supportive of the emphases to date on a restructuring of our aid program and on redefining its goals, we can not stress strongly enough the necessity of addressing how that program would operate on the ground, particularly in the identification of development objectives, the delivery of our assistance and the roles of the intended beneficiaries of that aid.

### **Long-Standing U.S. Foreign Aid Problems in Need of Redress**

In the nearly 50 years since the current U.S development assistance program was mandated by Congress, equitable and sustainable development have remained elusive in parts of the world where we have invested hundreds of billions of dollars. Investments in unresponsive government bureaucracies and a narrow focus on private-enterprise support and on the attraction of foreign investment have both far more often than not concentrated resources, power, wealth and incomes and contributed to the perpetuation rather than the reduction of entrenched and pervasive poverty.

The events and changing circumstances of the past decade leave no doubt about this need for a fundamental departure from the customary U.S. posture toward the global South. 9/11 was a reflection of the profound alienation and resentment emanating from economic and social exclusion. The frightening food shortages that have developed across the global South offer just a glimpse of the far-reaching fallout from the agricultural decisions taken by governments advised or pressured by countries of the Northern Hemisphere and international aid agencies over many years. And the financial and economic policies that laid the ground for our current national and global crisis were long ago imposed overseas by our aid agencies, with devastating consequences for the people of the global South.

A development assistance program designed and structured to achieve short-term U.S. commercial objectives, to promote other special interests and to respond to short-term foreign policy exigencies cannot simultaneously and effectively build upon and strengthen the development endeavors and institutions of our "target populations". The attachment of externally determined economic-policy conditions to our aid makes it impossible for representative governments to respond to the needs and demands of their citizens and undermines self-defined and self-engendered development, often causing a strong public backlash. The deregulation, liberalization and privatization policies that the United States has prescribed for the countries of the global South and in Central and Eastern Europe, bilaterally and through the international financial institutions, have had a profoundly damaging impact upon national economies, the natural environment, working people and many other economic and social sectors. Even during the more socially conscious 1960s and '70s, U.S aid programming was shaped with little local input, causing economic dislocations and too often benefiting the powerful over the poor.

## **A Fundamentally Different Approach to Foreign Aid**

A distinctly different program that responds directly to local and national realities, priorities and endeavors is badly needed, and now more than ever. As founders of The Development GAP, we have worked since the mid-1970s with a wide range of institutions to demonstrate in many developing countries and in Washington how to turn the failed U.S. aid program on its head and achieve, at a lower cost, far more in terms of equitable and sustainable development and an enhanced U.S. image and standing around the world. Based on learning gained from these and related field experiences with poor communities and small producers, we propose the creation of a new development aid program that would enable the U.S. government, through the structured separation of its development and non-development objectives, to help build strong and more equitable national economies upon processes of development that are economically and environmentally sustainable and just, upon investments in institutions with an expanding capacity to sustain these processes, and upon the knowledge and participation of a broad range of affected economic and social sectors.

In effect, we are calling for the application of a new and more democratic methodology in an attempt to transform the nature of the U.S. government's engagement with the people of the global South. If organized, staffed and managed appropriately, and if protected by its mandate, structure and Congressional oversight from non-development interests, a new aid program so created can have a profoundly positive impact on overseas economies and, by extension, on U.S. broad-based economic interests and on our global image and security.

## **Key Features and Benefits**

There are a number of important core elements, as well as distinct benefits, of such a transformed aid program. Individually and collectively they constitute a sharp departure from the presumptuous nature and prescriptive approach of U.S. and most other official development assistance programs of the past half century.

### **Responsiveness to local realities, knowledge and priorities.**

Not only do the economically disadvantaged, in whose name development assistance has been justified, have a right to participate in related decision-making, but, just as importantly, the effective design of development projects, programs, planning and policies is dependent upon the knowledge that local populations have of their own circumstances and of the economic and social structures, dynamics and environments in the communities and regions in which they live. Furthermore, the ongoing involvement of the intended beneficiaries of aid enables their needs to be identified and prioritized and donors, governments and implementing institutions to be held accountable. How support for such critical activities and services as agricultural production, health care and education is shaped and delivered is dependent on more than one-time, perfunctory consultations. The participation of women, both as agents and beneficiaries of change, is of particular importance in this regard. ***A new development assistance program should therefore be mandated to fully incorporate urban and rural workers, the poor, women, indigenous populations and other groups in development and development assistance decision making processes through organizations that can ensure their effective participation.***

### **Equitable, broad-based development and poverty reduction.**

Greater equity in the form of a fairer distribution of income and opportunity is central to the reduction of poverty, the curtailment of social disintegration, and broad-based economic growth. Equitable access to productive resources, a fair wage, and good health care and education are among the most effective means of achieving these goals, as they address directly some of the principal causes of poverty.

***A new aid program must therefore be required to provide support for the expansion of the economic involvement of poor women, subsistence food producers, other small farmers and enterprises, urban and rural workers, the unemployed and landless, indigenous populations, and others in the poor majority in the development of their countries so as to engender a process of equitable economic growth that enables them to increase their incomes and their access to productive resources and services. It should also direct support to community-based primary health-care and disease-prevention programs, as well as to improved primary education, literacy programs and the education at all levels of girls and women.***

### ***Environmental and development sustainability.***

Development assistance can make a significant contribution to both short-term and long-term development when it supports activities that develop and judiciously utilize renewable natural resources in the first instance for the benefit of local populations. By underwriting the reduction of dependencies on expensive imported energy, by supporting the protection of critical ecosystems and the natural resource base, by funding the utilization of agricultural and industrial methods and technologies that are accessible and affordable to small producers and by prioritizing the involvement of affected communities, aid can help engender growth and development from below, preserve resources for future generations, reduce the need over time for donor support and contribute to the resolution of global environmental problems.

***U.S. development assistance should therefore focus significantly on the symbiotic relationship between environmental sustainability and sustainable, equitable and locally controlled development.***

### **Appropriateness and capacity of implementing institutions.**

One of the greatest wastes of development assistance over the decades has been its investment in development organizations that have neither the orientation nor the capacity to effectively deliver resources to the intended beneficiaries. Aid must be channeled only through those agencies of national governments that have a demonstrated capacity to respond effectively to local priorities and organized endeavors, through local authorities and non-governmental organizations whose programs are developed through broad-based consultation, or directly to citizens through their own national, regional or local organizations, such as cooperatives and other associations of workers, small producers, communities, etc. ***Our development aid program should therefore be designed to provide program and project assistance to the development institutions, official or otherwise, that are most capable of reaching, incorporating and supporting the broad-based development endeavors of intended beneficiaries.***

### **Protection and promotion of universal human rights.**

Initiatives taken by communities and other organized groups, including workers, women and indigenous peoples, to organize and mobilize for economic change and progress are an important part of the development process. In both their productive and reproductive roles, women across the global South are central to this process, and their rights to resources and services and to participate in related decision making must be recognized. The efforts of indigenous peoples, as well as other disenfranchised groups, to engage fully in their own and national development cannot be realized until their rights are recognized, as well. And, for an economically vital middle class to grow in the countries of the global South, workers must be able to defend the rights guaranteed them by national and international instruments and institutions. ***Our aid program should therefore be prohibited from providing assistance to the agencies of governments that systematically violate internationally recognized human rights, as well as the specific rights of workers, women, indigenous peoples and other distinct groups, particularly their rights to organize and associate freely.***

**Support for strong, integrated national economies.** The continued financial and economic crises and increasing and intensifying poverty and instability experienced by the countries of the South demonstrate the dangers of promoting the de-linking of farming, industry, finance and other sectors that are key to national production. An emphasis on exporting unprocessed agricultural commodities and extractive resources, on centering manufacturing on the assembly of imported components, and on speculative financial investments has retarded economic development in countries around the globe and enriched foreign investors and national elites at the expense of the poor and middle class. Foreign aid that supports the many national efforts now underway to integrate these sectors and to increase workers' incomes and purchasing power will be instrumental in building strong economies that are increasingly self-reliant and sustainable in food production and other key economic areas and increasingly competitive in export markets. ***Our development aid program should therefore prioritize the provision of U.S. assistance to the expansion of backward and forward linkages among and within productive sectors and activities at the national, regional and local levels and to processes of participatory national economic planning to facilitate this integration.***

### **Separation of development assistance from other objectives.**

As history has repeatedly shown, the recipient countries, institutional channels, amounts and nature of our development aid will be heavily influenced by non-development concerns if our development assistance program is not structurally autonomous. The program will also be unresponsive to local realities and priorities if staff is concentrated in Washington and other capital cities – living at a level far removed from that of local populations – and dependent on foreign consultants for fieldwork. To be effective, the program must be closed off at the top to commercial and other extraneous influences and open at the bottom to local-level inputs and initiatives. ***While such an institution can be structured in many different ways, one option would be to create within a newly constituted U.S. Agency for International Cooperation (or a reconstituted USAID) a Development Assistance Administration. Governed by its own board, the Administration would act in consultation with, but independently from, the bureaus of the Agency dedicated to providing budgetary, disaster-relief, democratic-reform and other forms of assistance. Its staff would be decentralized and, like its director and the majority of its board, would be required to have on-the-ground development experience and sensitivities to local cultures and circumstances. In the contracting of consultants and for goods and services, preference would be given to local and regional options so as to help ensure the relevance and impact of U.S. assistance.***

### **Cost effectiveness.**

Up-front investment of time in the selection of appropriate implementing institutions will yield greater development results at a considerably lower cost. The respectful involvement of local populations by public and non-governmental organizations in policy, program and project identification and planning elicits local commitments of time and resources that can focus and multiply the impact of external funding. If funding levels in each country are set so that they do not exceed the aggregate capacity of these institutions to manage and channel aid monies effectively, our aid program can, in an efficient manner, help foster significant bottom-up development processes and the expansion of institutional capacities to sustain them. ***Thus, by investing in only those institutions, programs and projects that can absorb and utilize effectively development resources, our new assistance program would generate greater, more consistent and more locally relevant and sustainable results at lower cost to U.S. taxpayers.***

### **Values and measures broadly supported by Americans.**

The American people have wearied of what they have seen as wasteful foreign aid and have long desired an aid program that invests in poor people overseas as directly, efficiently and productively as possible. They have tired of seeing U.S. aid pass through the hands of corrupt governments and serve the narrow interests of corporations and the many special interests at the foreign aid trough. They wish to see our assistance promote fairness and activities of the poor that raise incomes, reduce poverty and hunger, increase self-reliance and decrease the need for assistance from abroad. ***It is important that a new Congressional mandate provide the American people with such a program, one that is reflective of their values and that elevates those aspects of U.S. foreign aid that enjoy the broadest popular support in this country.***

### **Enhancement of U.S. security and image abroad.**

It is in the U.S. geopolitical interest to help build abroad economic, social and political stability rooted in democratic, equitable and sustainable economic progress. The reduction of economic exclusion and social alienation is fundamental to U.S. security. Far too often the United States has sent aid to autocratic governments that does not reach the poor, and it has designed and imposed economic strategies, policies and programs that are contrary to their priorities and interests and thus perpetuate and intensify their exclusion and alienation. The adoption of a respectful and responsive posture toward the development goals, endeavors and capacities of intended beneficiaries would in a short time go a long way toward transforming the United States image and standing around the world and help establish the basis for a set of more cooperative and secure international relationships. ***Our new foreign aid mandate must therefore elaborate development assistance structure, focus and methodology geared to elicit broad-based popular involvement in development, to support relevant and effective development endeavors, and to enable the building of stable middle-class societies across the global South.***