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"TOWARDS A U.S. FOREIGN AID STRATEGY"

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A Statement by

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I. Introduction

Chairman Hyde, Mr. Lantos, and members of the Committee, thank you for conducting this hearing on how the United States Government can make foreign assistance programs more strategic, coherent, and effective. This Committee has historically played a pivotal role in shaping the debate and providing essential authorization for America's foreign assistance policies and programs. A fundamental review and reshaping of those programs is long overdue. Hopefully, this hearing will launch a larger debate and process to transform our foreign assistance programs so they adequately address our nation's security, economic, and humanitarian objectives.

Let me begin by making three points.

First, in the past couple of years we have seen the resurgence of foreign aid. Indeed, foreign assistance has assumed an importance within U.S. national security that it has not enjoyed since the Marshall Plan more than half a century ago. At the same time, the United States has an extraordinary opening in which to reassert leadership among wealthy countries with respect to aid.

The Bush Administration deserves much credit for reinvigorating foreign assistance in support of U.S. interests and values. In particular, let me commend the administration for three major endeavors. President Bush has begun to attack global poverty by ushering in a new focus on achieving economic growth, education and health in the developing world—chiefly, through the creation of the Millennium Challenge Corporation, renewed attention to education, and the Emergency Plan for AIDS Relief. Next, he is grappling with the problem of weak and failed states, which he highlighted in his 2002 National Security Strategy, by focusing on key problems of political extremism, corrupt governance, and weapons proliferation. Finally, President Bush has at once demonstrated American generosity and compassion by taking the leading role in providing humanitarian aid and preventing famine around the globe. Collectively, these efforts have revitalized foreign assistance, and we have a unique opportunity to build both a bipartisan and international consensus around our leadership.

Second, if we are to realize this opportunity, we are going to have to change the way we do foreign assistance. Paradoxically, at the same time as I praise recent steps taken to resurrect aid, I also tell you unequivocally that our foreign assistance programs are in many ways broken and obsolete. The United States Agency for International Development (USAID), for instance, is far removed from the golden Kennedy Administration era when mission directors were given the resources and the flexibility to focus on a core set of objectives determined in the recipient country. When I was named the third-ranking official within USAID in 2001, I was dumbstruck to learn that the central goals of achieving economic growth and poverty reduction were buried in a sea of more than 300 competing "strategic objectives" spread across nearly 100 countries.

Notwithstanding considerable success at the project or sector level, our foreign assistance programs are unfocused, opaque, and sclerotic. There remains a great deal to reassess and do together if we are to harness economic instruments of policy to the benefit of America's power

and purpose; bolster the standing of the United States in the world; restore U.S. leadership in the realm of foreign aid; and provide for innovative and effective governmental aid programs and policy.

Third, the direction in which we need to go is apparent, but leadership and follow-through from both the Executive and Legislative branches of government are the *sine qua non* of successful transformation. Specifically, some of the measures that need to be considered are as follows:

- Rewriting the whole or significant parts of the 1961 Foreign Assistance Act;
- Requiring a single, integrated U.S. foreign aid strategy every four years;
- Implementing the full measure of the Millennium Challenge Account as a new paradigm for achieving economic growth and hence sustainable development among poor countries hewing to good governance;
- Retooling USAID to focus on helping the next group of countries qualify for Millennium Challenge Account grants;
- Forging stronger institutions for shoring up weak and failing states, and for disarming, securing, and building state institutions in countries recovering from conflict, such as Afghanistan and Iraq;
- Creating greater policy coherence by demarcating the division of labor among governmental aid entities, establishing a unified and common-sense budget in which it is obvious how each account should be spent, and improving the natural synergy between trade and aid;
- Better direction of aid programs to support mid-to-long-term approaches to countering terrorism;
- Improving our capacity for measuring results; and
- Building a new international consensus among wealthy countries on foreign assistance priorities.

These are the major missing elements in the revolution in foreign assistance that is now underway. Myriad actions and proposals have yet to be put into a coherent overall strategy; we lack an effective, integrated architecture for making informed decisions on how to use foreign aid as part of an overarching policy; and when it comes to expecting results from key officials we have a dangerous misalignment between their authority and their responsibility. New authorization, reorganization and reform are essential as we move forward.

This is an ambitious agenda. One thing to remember is that sometimes we can do more by doing less. Although there are multiple uses of foreign assistance, we must find a way to streamline our fundamental objectives so that we can focus our resources and enhance our chances of success. We need a single integrated strategy document that relates the ends of the National Security Strategy to the specific means of our foreign assistance programs and budgets.

The transformation of our foreign assistance programs can be likened to defense transformation. The historic Goldwater-Nichols Defense Reorganization Act of 1986, for instance, took nearly five years of debate—not to mention military debacles such as in Beirut and before that the desert of Iran--to galvanize a consensus and action. Surely the limits of our achievements in the developing world—whether to promote economic growth and democratic

governance, or to stem the rise of poverty and disease, or to rebuild state institutions in the wake of war—should serve as an analogous impetus for change and renewal in the realm of foreign assistance. However long this process takes, let us hope that we can all look back at this hearing today, and others like it, as marking the beginning of that effort.

II. Foreign Aid's Resurgence

Foreign aid has been resurrected like a phoenix from the ashes. Politics aside, the United States' foreign aid budget was on a sharp decline throughout most of the 1990s. While the "hard power" of military might has grown increasingly strong in the past forty years, the "soft power" of foreign aid – in many ways more effective and efficient at winning over the post-Cold War world to American values of freedom and opportunity—
has been left to stagnate. Though the 1990s saw significant global progress in development, the reason behind the gains had more to do with the economic growth programs in China and India, the two most populous developing countries, than the effects of foreign aid. USAID assistance, in constant dollars, remained basically flat overall. This budget trend-line masks the fact that USAID had also lost some 1,800 trained Foreign Service officers during this period. By 2000, USAID stood at roughly 1,200 professionals worldwide, and the ranks of specialists in key technical areas such as development economics, agriculture, education and engineering were greatly reduced. Ability to carry out the staggering array of directives stipulated in the unwieldy Foreign Assistance Act sank, as this assistance remained an incoherent mix of earmarks from Congress and initiatives from the White House. In trying to do everything nearly everywhere, American foreign aid had become slave to the conceit that everything was equally important—the classic recipe for losing focus.

The Marshall Plan remains the high watermark of the American experience in foreign aid. Some fifty years later, President George W. Bush and his policy advisors face the dual challenge of returning to successful development practices and increasing the means available to do so more effectively. Much of their policy formulation has been driven by the lessons learned from aid effectiveness literature and the best practices gleaned from the history of aid performance. However, before attempting to benchmark current efforts to those of the past, we need to bear in mind one major trend of the past decade – globalization. In the 1960s and 1970s, about three-fourths of U.S. assistance to the developing world emanated from the public sector. Today the opposite is true; three-fourths of money flowing to the developing world comes from the private sector, trade and investment, and remittances.

The catastrophic events of September 11, 2001 highlighted the need for intense focus in U.S. foreign aid policies, which far too often had been omnivorous in promises but anorexic in results. Foreign aid was vaulted to a renewed position of prominence in foreign policy. This greater attention has provided policymakers with an opportunity to re-vitalize and re-orient our foreign assistance policies toward best practices. The current Administration's efforts to resurrect foreign aid have given all of us a chance to push for a new, bipartisan consensus on the central goals and implementation of foreign aid. This consensus must tackle, among other things, several key issues. For one thing, we need to come to an agreement between the Legislative and Executive branches on the timeframe we are dealing with. At the same time, we

need to be able to work across more budget cycles and even administrations than we currently do if we are to avoid a foreign aid ballet comprising one never-ending pirouette.

The prospect of the United States reverting to a stronger commitment to development and foreign assistance—a role that has steadily declined since the 1960s—has won great support in the international community; while that support has been overshadowed by the high policy over Iraq, there continues to be an opportunity to help consolidate other major donors, both bilateral and multilateral, behind U.S. approaches. For example, the United Nations Commission on Private Sector Development will present a new report next week that is notable both for its congruence with some of the thinking of the Millennium Challenge Account and for the inclusive step of seeking to tap the power that can be come from engaging the private sector in the work of development.

International consensus and cooperation will be critical to success in our development efforts. Most stakeholders would agree that past performance has shown that an increased level of foreign assistance is not enough to ensure positive or sustainable development outcomes. Today's global development agenda is expected to address a wider range of policy concerns than in previous decades (e.g. HIV/AIDS, water scarcity, corruption, human trafficking), and the international development community is also expected to demonstrate tangible results with a newfound sense of urgency. The war on terrorism, from the perspective of the development community, becomes another, urgent and important, priority in this complex agenda. The stark reality is that future success will likely rest on two pillars: pursuing policy innovations with partner governments and applying best practices on the ground. Without these pillars, no resurrection of foreign aid will succeed.

The Bush Administration has launched some 20 new initiatives in the past three years. These initiatives have centered on innovation grounded in best practices and are thus exciting steps toward a revitalized foreign aid system for the United States. However, because of the fragmentation of our foreign assistance programs and agencies, it is not clear whether there is an overarching strategy and, if so, what it is. The new initiatives serve to further fragment the whole. Before we continue in this vein, we will need to identify an overall strategy that stipulates objectives and means for foreign aid.

Permit me to step back a moment to synthesize the three main objectives of foreign assistance; that is, the three realms in which foreign assistance policy can provide critical tools. These are: attacking poverty, grappling with weak and failed states, and leading the world with respect to humanitarian assistance.

Attacking poverty

In a world of increasing prosperity the gulf between the "haves" and the "have nots" is untenable, particularly because we possess the tools to attack global poverty: namely, by ushering in a new focus on achieving broad-based economic growth, backstopped by investments in the health and education of people in the developing world. Programs fundamental to this assault on global poverty have been the creation of the new Millennium Challenge Corporation; stemming the biggest health problems of AIDS, tuberculosis and malaria; and ensuring a primary education for all.

Grappling with weak and failing states

The Bush Administration's 2002 National Security Strategy highlights grappling with the problem of weak and failed states as a key element. The administration has since then focused on a deadly triad of problems: political extremism, corrupt governance, and potential weapons proliferation. Post-conflict institution building in Afghanistan and Iraq is receiving the lion's share of attention. At the same time, the elevation of good governance, in and beyond the greater Middle East, cuts across economic and security objectives. From the Balkans to Colombia to Angola and Afghanistan, foreign aid is being used to quell violence and produce a foundation of stability and governance that can, in turn, lead to successful development. Promoting good governance as a bulwark against extremism and terrorism by inculcating moderation and stability is a major national security objective for which foreign assistance and economic instruments of policy are particularly well suited, albeit within limits. Achieving good governance is strongest as a crosscutting goal that should be built into the incentives of economic-growth-oriented aid, as well as into humanitarian aid or assistance to civil society around the margins of a corrupt government.

Governance is an issue in what might be considered front-line states in the campaign against international terrorism, from Egypt and Jordan in the Middle East to Pakistan and Indonesia in South and Southeast Asia. Here we have governments that are closely aligned with the United States and are willing to consider sacrifices for the good of the nation provided they can be reconciled with political survival and stability. There is also a group of less scrupulous leaders who would likely not implement economic incentives to broadly help their country at their own personal expense. These include some Middle Eastern countries, perhaps some Central Asian countries, and certainly a country like North Korea. In these countries, it may be useful to subordinate aid to larger purposes, but it is not realistic to expect the "carrots" of foreign aid to tip the balance toward good governance when larger strategic and security interests are in play. In some of these cases, it may be appropriate to tailor more punitive, particular smart sanctions (such as limiting the travel of regime family members, for instance) to gain the attention of these regimes. Another group of countries have considerable political will but institutional ability lags far behind; for these countries, economic incentives may indeed help. National and global security depend on having the flexibility to respond to countries such as Georgia or Kenya where a new government comes into being that is head-and-shoulders above its predecessor; we must reward these countries by providing a timely package of financial and technical assistance for these governments to meet the lofty expectations confronting them. This will shore up regions and give other weak or failing states an example for which to strive.

Providing humanitarian relief

Thirdly, the Administration appears committed to demonstrating American generosity and compassion by taking the leading role in providing humanitarian aid and preventing famines around the globe. We must carry on in this task. There will continue to be a predictable need to manage humanitarian crises, whether of natural causes such as earthquakes or hurricanes, or at least partly man-made such as with some famines. The United States is proud to be the largest bilateral donor of humanitarian assistance, and President Bush has made the argument that it should continue to play this role. Nothing speaks to the character of the American people more eloquently—nor reminds Americans of the need for us to use wealth to help the neediest—than

this role. While within our bureaucracy we need to be mindful of our shortcomings and the need to provide for an effective professional corps of people who can respond to foreign disasters, our humanitarian relief in the wake of some natural or man-made disaster can be remarkably effective. This is often achieved in tandem with other organizations. For example, USAID provided funding and support so that the U.N. World Food Program (WFP) in Afghanistan could deliver an unprecedented amount of food in record time; over 9 million men, women and children were fed by wheat, oil and lentils delivered from the United States.

These three roles for foreign aid are not simply a theoretical structure but have a deep and abiding basis in resource debates. And in order for foreign aid to be effective as it is employed toward these three objectives, aid commitments need to correspond not just to promises, but lead to concrete results. We must create development programs that have built in the right incentives to achieve critical reforms in recipient countries, thereby maximizing each dollar's effectiveness. In recipient countries, our foreign aid can and should contribute to the creation of policies that create open political processes, promote financial transparency and curb corruption, while also making a strong commitment to open economic opportunities, whether that is monitored by the credit rating of a country or measured by the number of days it takes to start a business.

Foreign aid, whether for purposes of economic growth or other foreign policy aims, should be treated as conscious strategic investments. Too often, foreign aid is simply set in motion and kept alive by the inertia of bureaucracies. Policy makers have erred by focusing on singular tasks without facing realistic tradeoffs over how else to spend public money. One lesson I learned from my experience within USAID was how far the bureaucracy had become Balkanized, satisfied and self-interested in protecting a small program at the expense of the larger objective of country transformation, of helping to work in partnership with people who want to transform the fundamental quality of their lives.

At the same time, many forget that foreign aid is relatively small when compared to other financial flows. Development aid totaled about $54 billion in 2000; this was only one-third as much as foreign direct investment in developing countries ($167 billion). The U.S., for example, contributed $11 billion dollars in official development assistance in 2001. American private capital investment in developing countries averaged roughly $12 billion a year over the last three years. Given this discrepancy in scale, aid effectiveness has to primarily come through catalyzing institutional development and strategic policy changes that promote economic growth.

There remains, however, a mismatch between the objectives for which the United States hopes to use foreign aid in the future and the current means available for such assistance. Indeed, as a percentage of U.S. GDP, spending for foreign assistance has dropped from 0.5% to 0.1%. The needs of the developing world, and even the Islamic world stretching from North Africa to Central Asia to Indonesia, greatly surpass available donor aid. The Marshall Plan, by contrast, pumped the equivalent of nearly $100 billion into 17 countries over three or four years, which is significantly more money than even the largest missions, such as Egypt and Indonesia, receive today. The sum was large enough to be used for major investments; there was local ownership of the projects; and the governments committed to broad economic reforms and

support for political pluralism. If the U.S. is willing to adapt aid to achieve effective results in pursuit of dampening the sources of terrorism, or at least addressing moderate institutions that can serve as bulwarks against terrorism and its supporters, then it will have to devote the necessary resources while focusing on specific areas and ends and maximizing coordination.

III. Reorganizing Foreign Aid

Especially considering the flurry of new initiatives, we are currently operating without a solid consensus with respect to an overarching strategy for foreign aid. The need to clarify roles, responsibilities, the decision-making process, and the interagency and international policy coordination process grows more urgent by the day.

Even while we discuss reorganizing, we face a critical imperative for more follow through with the initiatives underway. The path is clear but there is much that remains to be done in each of the three abovementioned uses for foreign aid.

Successfully combating poverty requires the full implementation of the MCC and embedding its principles as the new paradigm for development. In addition, we must forge free trade areas not just in Southern Africa but also in Central America and complete the Doha Round. We must implement the AIDS, tuberculosis and malaria fund not just in the initial 14 countries but in soon-to-erupt follow-on areas, as well. Finally, we must extend U.S. leadership in education by considering the notion of calling for the G-8 countries to commit to achieving the goal of education for all by 2015.

Strengthening weak or failing states can be achieved through a greater focus on governance in all our foreign aid programs. We will need to devote the time and resources to making significant progress in institution building in Iraq and Afghanistan. Also, we should strategically target greater assistance to countries and areas of countries at risk of extreme forms of political Islam, not just in the Middle East but also in South and Southeast Asia.[1]

State failure occurs because governments "no longer deliver positive political goods to their people" and they "lose [their] legitimacy and, in the eyes and hearts of a growing plurality of its citizens, the nation-state itself becomes illegitimate."[2] Officials and institutions in these countries have completely failed to deliver political goods such as national security, public safety, economic opportunity, education programs, health services and the rule of law. Afghanistan, Angola, Burundi, the Democratic Republic of Congo, Liberia, Sierra Leone, Somalia and Sudan represent the failed or collapsed states of the last ten years while many more have been on the brink.[3] In all these cases, the state failure was man-made; it resulted from policy decisions and leadership failures rather than natural disasters, geography or pestilence. The resulting vacuums in power and authority attract criminal and terrorist networks that have demonstrated time and again their global reach. Once inside, these groups hide behind the

[1] For a longer discussion of this topic, see Patrick Cronin in Audrey Kurth Cronin and James D. Ludes, eds., *Attacking Terrorism: Elements of a Grand Strategy*, Georgetown University Press, (2004).
[2] Robert I. Rotberg, "The New Nature of Nation-State Failure," *The Washington Quarterly*, (Summer 2002) p. 85.
[3] Rotberg at p.90.

professed sovereignty of the failed states and their extraction becomes both a diplomatic and military challenge. Prevention therefore is clearly better than cure because once military operations commence and then cease the arduous task of state building begins. We cannot, however, expect to strengthen weak states remotely from Washington, DC. We need to recognize that failed states put development professionals at considerable risk, but realistic prevention efforts require people on the ground "focusing on existing conditions and working to rebuild and reconstruct viable institutions."[4]

For our humanitarian purposes, in addition to providing the food and medical supplies to the national and international mechanisms for rapid response, we need to be better poised for preventive engagement, from better early warning of crises to proactive measures to prevent such problems as famine.

Redirecting aid will require agreeing on the main goals, which will necessarily overlap. In order to ensure that our policies are then tightly bound to those goals, we will need to agree on a new architecture for formulating policy, coordinating among donors, delivering assistance, and monitoring and reporting results.

The status quo is a loose collection of agencies working on some aspect of development. Over time, the effect has been largely to diminish the role of USAID, which actually has the mission in its title. While new initiatives have been coordinated on a case-by-case basis, this has left huge questions about the rest of our development infrastructure and particularly USAID. The result is that aid's implementation is piecemeal rather than holistic; redundancy and overlapping jurisdictions abound; accountability is often unclear; and new initiatives are not yet understood with respect to their integration into decision-making.

There are two basic bureaucratic models for organizing U.S. foreign assistance programs:

- **Hub-and-spokes model:** This approach would make an existing Cabinet member, namely the Secretary of State, responsible for determining our overall foreign assistance policies that address security, economic, and humanitarian needs, while allowing individual agencies to be primarily in charge of ensuring successful implementation. Under this model, deputy-level heads of USAID, the MCC, and perhaps other institutions would report directly to the Secretary of State. This would be a logical refinement of recent trends, which have been marked by the creation of a new permanent interagency Millennium Challenge Corporation responsible to a board headed by the Secretary of State; a new coordinator for HIV/AIDS within the State Department; and the decision to make the Administrator of USAID report to the Secretary of State.
- **Consolidated model:** This approach would join policymaking and operational control within a new department with Cabinet rank, such as the United Kingdom's Department for International Development. While it would represent a significant departure from the status quo, a new department would allow for USAID, MCC, the AIDS coordinator and others to be integrated into a single arm of the government that would still have to work closely with the State Department, as well as the Defense Department and other

[4] Ray Takeyh and Nikolas Gvosdev, "Do Terrorist Networks Need a Home?" *The Washington Quarterly*, (Summer 2002), p. 105.

government agencies. There are various tradeoffs in creating a new department, and the issues are sufficiently complex that they deserve rigorous study.

IV. Redirecting Foreign Assistance

As President Bush dictated in his National Security Strategy, foreign aid has a critical role to play in the United States' foreign policy. However, at the same time it is vital not to oversell what aid can accomplish, and, crucially, we must remember that the manner in which we give aid is far more important than the sum total of aid.

Toward that end, we must improve aid's peripheral view so that it can be more flexible, responsive and accountable. For USAID, this will mean changing the current five-year country planning process to incorporate a broader view beyond the U.S. bilateral stovepipe. The Millennium Challenge Corporation and other international donor organizations are implementing long-needed fresh ideas, and we must require a mechanism for communication and coordination that enables the full measure of U.S. foreign assistance to benefit from the effective and efficient strategies developed. It simply should not be acceptable to the American taxpayer to hear the same old song that programs are "successful," even when overall results desired are lacking due to a bureaucratic refusal to select the best means of delivering assistance, thereby impeding an opportunity to reduce waste, fraud and abuse.

Improved coordination and communication could be arrived at through requirements such as the following:

- Identification of dollar amounts of Official Development Assistance coming in the last five years from various sources. This would show how the United States Government's stream is one among several and negate the assertion that the United States can or should operate in isolation from these other sources;
- Discussion of how much foreign aid the United States gives as a percentage of our economy's GDP. This would create greater political support for increased aid as Americans see how little we actually give;
- Identification of the percentage of the fiscal budget that is financed through external sources;
- Discussion of the differing approaches of various bilateral donors (e.g., supporting the budget of a recipient country versus providing assistance for specific projects). Here, compare European approaches such as the British DFID and USAID;
- Asking for a qualitative assessment of how assistance is coordinated around a national development strategy;
- Comparison of the relative success of the country to generate economic growth and reduce poverty over time; and
- Identification of any broad lessons learned in development practices.

Meanwhile, through measures such as those set out in the beginning of this paper, we need to deal with what might be called the three major weaknesses of our foreign assistance approaches: policy incoherence; the lack of the lack of consensus on aid in the international

community, where many feel the U.S. would prefer to "go it alone"; and inadequate responses to weak and conflicted states.

Coherence

The chief problem with foreign assistance is the absence of clear and obtainable goals, not organization. As long as our development dollars are spread around chasing hundreds of so-called strategic objectives rather than more tightly focused on economic growth and good governance, then considerable failure will be foreordained. The Bush Administration has revitalized aid not just by nearly doubling development spending but above all by putting forth clear strategic objectives. His initiatives, however, do require a reassessment of how to achieve greater interagency coherence. The MCC provides such unprecedented cooperation in microcosm. Public calls for creating a new cabinet-level department contribute to a national debate; meanwhile, we need effective cooperation between our policy-making State Department and our main operational agencies such as USAID and now the MCC. In the longer run, we need a rigorous study of organizational options that might be considered after the election by both the Legislative and Executive branches of government.

Consensus

Critics like to seize upon the highly emotional debates leading up to the Iraq conflict as symbolic of U.S. unilateralism. Such a limited focus does not do justice to the progress some officials have sought to make in widening the consensus on development, from U.N. forums like the Conference on Financing for Development in Monterrey, Mexico in March 2002 and the World Summit on Sustainable Development in Johannesburg, South Africa in August 2002, to G-8 summits. But having dealt with the international donor community for more than two years as Assistant Administrator at USAID, and given my frequent contacts with the international donor community since leaving government, I can tell you we have a much larger divide than we should. Because of Iraq more than any other reason, we have failed to capitalize on innovative approaches and increased spending to bring other major donors on board with some of the ideas, show them how they affect their policies and foreign aid programs, and work through conflicts. The potential for international cooperation is great, but certain steps will have to be taken in order to jump-start the process, starting with greater communication. The MCA and Millennium Development Goals can work in concert; the amount of money we spend to fight AIDS bilaterally should be optimized to fit with the amount we channel through the Global Fund; and we need to find ways to work closely with the international financial institutions and regional banks. One of the biggest hurdles to greater coordination stems from the fact that many European and Middle Eastern governments are unsure about American intentions for giving foreign aid; even the noblest motives will accomplish little if they are not communicated in a credible dialogue.

Conflict Areas

We may yet need a new office just to deal with weak and failing states, as well as a generous new fund to channel to these countries. But there are some 60 countries in the world that are either failed, failing, or capable of suddenly being perceived as failing. We cannot realistically hope to set aside enough tax money for foreign assistance to make a fundamental

difference in all of these countries. Instead, we must make priorities, and the Bush Administration has done this. It must stay the course on helping with reconstruction in Afghanistan and Iraq. It must seize opportunities for cementing peace, as it has done in Angola, Sri Lanka, Sudan and elsewhere. It must bolster our national capacity for stability operations (the Department of Defense) and institution building (State/USAID and others). It must focus on those specific countries and regions where conflict could erupt through terrorism and proliferation. The Bush Administration is doing that with the Middle East Partnership Initiative, which works toward good governance not just in poor countries but also wealthy ones that help finance terrorism. At the same time, the *sine qua non* for a greater consensus on our approaches to governance in the greater Middle East and beyond remains a concerted effort to find peace between Israel and a future democratic Palestinian state.

In conclusion, foreign aid has re-emerged in a critical role in foreign policy and is confronted with a complicated international landscape to address. Because of this, we must not oversell what foreign assistance can accomplish. We do need to devote more resources to assistance, but how we spend our money remains more important than how much we spend. Correspondingly, we need to manage expectations for development efforts because aid is only one instrument and it depends on a range of other factors, such as stability, a hospitable policy environment and political will, for success.

Even given effective implementation, it will take time for aid to achieve the goals we set for it – far more time than we are generally accustomed to in the United States. The systemic development of national institutions and the opening of education and opportunity to all people will necessarily transcend administrations and political tenure, and so we must adjust ourselves to work across parties, budgets, and branches of government to create accountable, lasting efforts. Foreign aid has undergone a resurrection many thought would never arrive. Now, foreign aid needs to attain two more challenges: reorganization and redirection. Though this will be a difficult undertaking, that fact in no way mitigates its importance or predetermines its failure.

Biographical Description of the Author

Dr. Patrick M. Cronin is the Senior Vice President and Director of Studies at the Center for Strategic and International Studies (CSIS) in Washington, D.C. In that post, Dr. Cronin leads the overall research agenda of CSIS and conducts his own research and writing. He also is Executive Director of the Hills Program on Governance, which is partnering with leading institutions in Asia to conduct research and find practical solutions to the pervasive problems of corruption and weak economic governance.

Dr. Cronin joined CSIS after serving more than two years in the Bush Administration as assistant administrator for policy and program coordination with the U.S. Agency for International Development. As the third-ranking official at USAID, Dr. Cronin served a variety of roles at a critical time of major post-conflict planning and rebuilding in Afghanistan and Iraq and major development initiatives, which ranged from preventing famine and AIDS to creating programs to reduce extremism, bolster good governance and promote economic growth and sustainable development. Regarding economic growth, Dr. Cronin headed up the interagency task force designing the Millennium Challenge Corporation, which is slated to become a new, multi-billion-a-year development agency focused on economic growth.

Before his confirmation by the U.S. Senate as assistant administrator, he was the director of research and studies at the U.S. Institute of Peace. Prior to that Dr. Cronin was at the National Defense University's Institute for National Strategic Studies (INSS). As deputy director and director of research at INSS, he directed advanced research efforts on long-range strategy and Asian security.

Dr. Cronin's most recent books are *The United States and Coercive Diplomacy* (Washington, D.C.: U.S. Institute of Peace, 2003, coedited with Robert J. Art) and *The U.S.-Japan Alliance: Past, Present, and Future* (New York, NY: Council on Foreign Relations Press, 1999, coedited with Michael J. Green).

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