

# CAPITAL COMMENTARY

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## Foreign Aid That Really Works

“Compassionate Conservatism meets U.S. foreign aid.” That’s how some observers are describing the President’s launch last week of the Millennium Challenge Account (MCA), a new five billion dollar program designed to assist impoverished developing countries around the world, where many families live on less than two dollars a day.

The Millennium Challenge Account provides a major boost to U.S. overseas aid, lifting the total increase in U.S. development assistance since 2001 to more than 50 percent. But this infusion of new cash is not the most important feature of the MCA. The MCA, if it succeeds, could offer a new model that overcomes some of the major criticisms of conventional development programs and policies.

Citizens often complain that US foreign aid throws taxpayer money at ineffective programs that do little to actually help the world’s poor. Stories abound about corrupt leaders diverting development aid into their own pockets or their friends’, or dictators using the money to prop up violent regimes rather than using the funds to alleviate suffering.

The MCA will encourage foreign leaders to make reform and development top priorities. It provides real incentives and makes real demands. MCA provides a major source of new money, but it goes only to countries that can show substantial progress in each of three areas: ruling justly, investing in people, and encouraging economic growth. MCA imposes tougher standards for fiscal responsibility, poverty reduction, religious freedom, and civil rights. The program rewards “strong performers”—governments committed to making necessary reforms and capable of offering a return on costly investment. Additional accountability is built in by requiring regular and thorough performance evaluations that will be published on the world wide web for public review. The law authorizing the program also permits funding to be terminated in the absence of measurable progress.

Critics have charged that many U.S. aid programs have not met the real needs of developing countries.

Some programs are driven too much by American perceptions of Third World needs, and not enough by the concerns of the people on the other end of the development dollar. The MCA will act like a foundation rewarding innovation and local vision. Countries will be allowed to tailor their proposals to respond to a wide range of needs. Each country will identify its own particular development priorities and investment needs, and then compete for MCA grant funding to carry out projects with oversight by U.S. officials from the Millennium Challenge Corporation. Their proposals must reflect a comprehensive strategy to involve all sectors of government and civil society in reducing poverty and promoting economic growth and good governance for their citizens.

The MCA is not the kind of aid program that can be easily dismissed as one designed to reward America’s friends or serve U.S. geo-political interests. Officials candidly admit that many of those types of programs have existed for a long time. This program, they insist, will chart a very different path for foreign aid and serve as a “pure” development program with a competitive twist. The program puts in place clear, concrete, and objective criteria by which a country’s development progress will be measured using a detailed set of 16 performance indicators. So far, policy experts both inside and outside the Administration seem to agree that the policies governing MCA are distinguished by their commitment to a new level of transparency and fairness.

With the first awards in this new venture to be made this year, citizens will have to watch to see how this work in progress unfolds. If it succeeds, American foreign aid will be better targeted to relieve poverty and help governments around the world fulfill their responsibilities.

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