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The Cost of Reaction

The Long-Term Costs of Short-Term Cures

By Andrew Sweet and Natalie Ondiak

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Cover image: A soldier from the Sudan People's Liberation Army carries his son in the streets of Yei, Juba, Southern Sudan. Almost half the displaced in Southern Sudan are children. (Photo by © Manoocher Deghati/IRIN)

Contents

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The Long-Term Costs of Short-Term Cures

Introduction and Summary

When it comes to foreign aid, the United States does some things very well. We lead the world in the provision of humanitarian assistance, offer generous aid packages to countries emerging from war and oppression, and have taken the lead on a number of critical issues, including the global HIV/AIDS pandemic.

Yet despite 60 years of experience—beginning with the $13 billion Marshall Plan following World War II—the United States today does not have a long-term strategy for how we allocate foreign assistance. As a result, U.S. foreign assistance is too rarely geared toward preventing or getting out ahead of crises, be they civil conflict, famine, or failing states. Too much of our foreign assistance and the foreign policy that drives decisions about the allocation of foreign aid is reactive rather than proactive. Consequently, our aid policies and programs are short term, which means that all too often we don't achieve lasting, long-term results.

There are three kinds of situations that contribute to Washington's tendency to deploy foreign assistance as a short-term tool rather than as a long-term investment. The first is when crisis-driven geopolitical interests demand that we provide high levels of aid, as in, for example, Afghanistan or Pakistan today. The second includes man-made and natural disasters, as happened in Liberia during repeated civil wars over the last 20 years, or in East Africa, where recurrent famine over the past 50 years has repeatedly triggered our

The pattern of aid flows is consistent—aid spikes in reaction to crises, but far less is invested to prevent crises before they occur.

humanitarian instincts. The third includes chronic cases of failed states, such as Sudan, where the United States has national interests (political stability in a country that straddles the Middle East and Africa) but where humanitarian aid and peacekeeping missions are offered up as a palliative for the absence of a concerted, sustained, and proactive foreign policy.

In all of these situations, development assistance that might ameliorate the underlying conditions of poverty and instability is trumped by humanitarian or military assistance. And in each of these cases, the pattern of aid flows is consistent—aid spikes in reaction to crises, but far less is invested to prevent crises before they occur or to consolidate progress when crises subside. Huge amounts of aid are allocated to support strategic interests, but the spigot is turned off once those immediate interests diminish.

Providing billions of dollars in support of relief operations in Sudan or to shore up a strategic but authoritarian ally in Pakistan are not policies that can succeed on their own. In fact, these investments can go to waste if they are not driven by long-term development objectives. A glance at the history of U.S. foreign aid spending illustrates a pattern: aid levels increase when crises arise, but flat-line immediately thereafter, only to rise again when they recur. The cost of this pattern of reaction is enormous—in taxpayer dollars, in stability, and in very human terms.

To understand these costs of reaction this paper first takes a by-the-numbers look at the costs to the American taxpayer of our inability to craft long-term, sustainable policies for countries in civil war, amid famine, or saddled with chronically failing governments. We then examine five countries that exemplify one or more of these problems—Pakistan, Afghanistan, Liberia, Sudan and Ethiopia—to explore how the off-and-on pattern of aid delivery undercuts our aims and the long-term sustainable security needs of these countries. We then close each of these case studies, and the report itself, with a look at alternative ways the United States could approach its foreign aid spending with an eye on long-term, sustainable security for us and for our foreign aid recipients. As we will demonstrate, an ounce of prevention is worth a pound of cure.

The cost of reaction: by the numbers

The costs of our failure to prevent crises are most obvious in the case of armed conflict, where the costs have grown so high that the United States can no longer afford not to try to prevent them from occurring in the first place. First, consider that the typical civil war costs an estimated $64 billion to the country where it is fought and to its neighbors. Economist Paul Collier estimates that the annual global cost of conflict is $100 billion—or twice the global aid budget.[1]

The costs of conflict each year in Africa are around $18 billion, which for a continent riven with poverty is an enormous drain on the region's economy. Between 1990 and 2005, conflict cost the continent $284 billion. This is an annual loss of 15 percent of gross domestic product, and one-and-a-half times the average spending of African governments on health and education.[2]

Looked at another way, before conflict erupts, the typical war-affected country maintains an average of 9 percent of its private wealth abroad. By the end of the conflict this grows on average to nearly 20 percent. At the end of the first decade of post-conflict peace, capital flight rises even further, to 26.1 percent.[3]

Conflict also creates large numbers of internally displaced persons, or IDPs, as well as refugees spilling over state borders whose movements in turn affect regional and even global stability. There are an estimated 12 million refugees throughout the world, and between 20 million and 25 million people are internally displaced. Such high numbers of refugee and IDP flows create additional burdens for governments struggling to provide for their own people. Since 2000, the United States has consistently been the United Nations High Commissioner for Refugees' top donor, contributing over $2.6 billion.[4]

Since 1948, UN peacekeeping costs have totaled an estimated $54 billion.[5] From its founding in 1945 until 1990, the United Nations led 16 peacekeeping interventions. This number nearly tripled from 1990 to 2007, when the Security Council authorized 48 peacekeeping operations.[6] The projected peacekeeping budget for 2008 is $7 billion, nearly $2 billion more than was spent in 2007, and the United States is assessed 26 percent of the UN peacekeeping budget.[7] Between fiscal years 1996 and 2001, the United States contributed an estimated $27.65 billion to UN peacekeeping operations.[8]

Even when conflicts end, there is a high risk of recurrence. A 2006 United Nations report noted that nearly 50 percent of countries that have emerged from civil war revert to violence within five years.[9] This fact is even more dramatic considering that more than 50 countries have experienced severe and sustained conflict over the past three decades.[10] And because our assistance increases during conflicts but subsides once they end, we miss the opportunity to prevent recurrence—and at considerable costs.

Clearly, the manner in which our aid money is allocated is not responsible for the number, scope, or complexity of conflicts, and U.S. foreign assistance is only one of a myriad of factors at play. Our foreign aid is, however, a potentially influential factor, and as the largest global provider of aid, it's critical that we get it right.

The cost of reaction: five case studies

The costs of reaction to foreign crises are also evident in other ways. By providing aid on the basis of short-term imperatives rather than long-term interests, we miss opportunities to invest in the institution-building, economic development and civil-society engagement that can bolster the growth of democracy. Five countries in Africa and Asia—Pakistan, Afghanistan, Liberia, Ethiopia, and Sudan—exemplify the failures of short-term foreign aid policies. They are also examples of nations that today could—with long-term investments in development—prosper to the benefit of the American people and their own citizens.

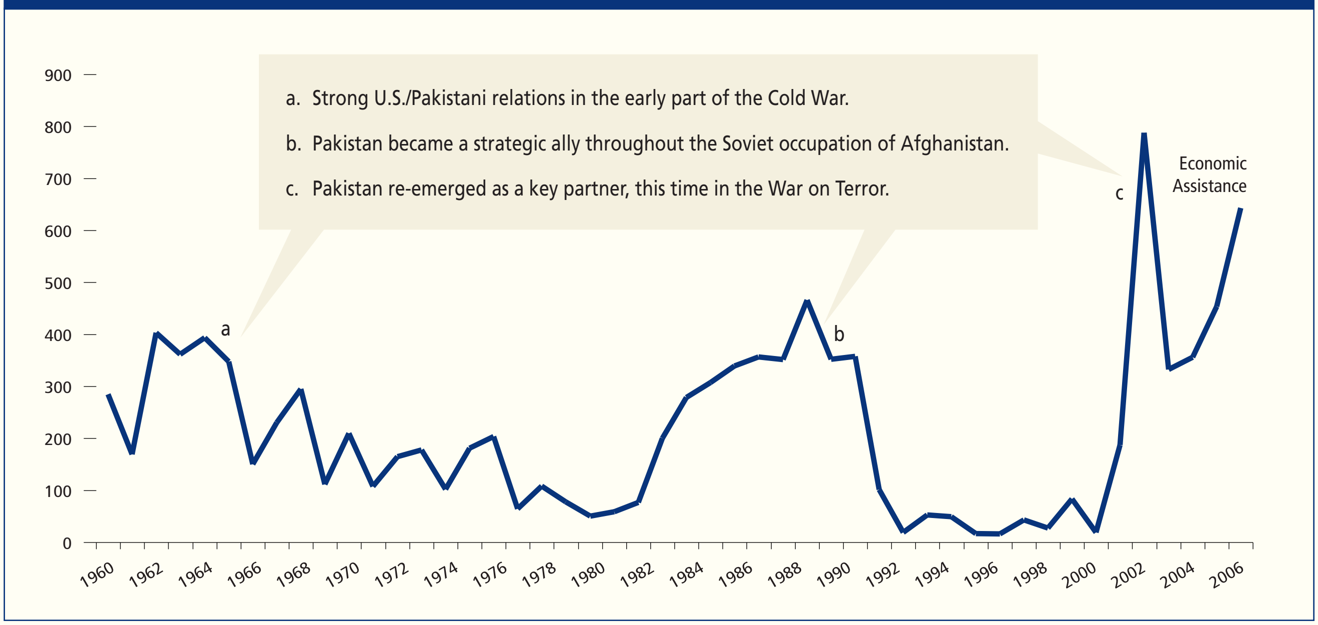
Pakistan

Security imperatives without security gains

The history of U.S. foreign assistance to Pakistan has been marked by recurrent but ever-changing security imperatives. A look at this history shows how consistently inconsistent U.S. assistance has been. An early ally in the Cold War, Pakistan received nearly $2 billion from 1953 to 1961, a quarter in the form of military assistance. The Indo-Pakistani wars of 1965 and 1971 led to the suspension of much of this assistance. Additional cuts were made again in 1979 following Pakistan's construction of a uranium enrichment facility.[11]

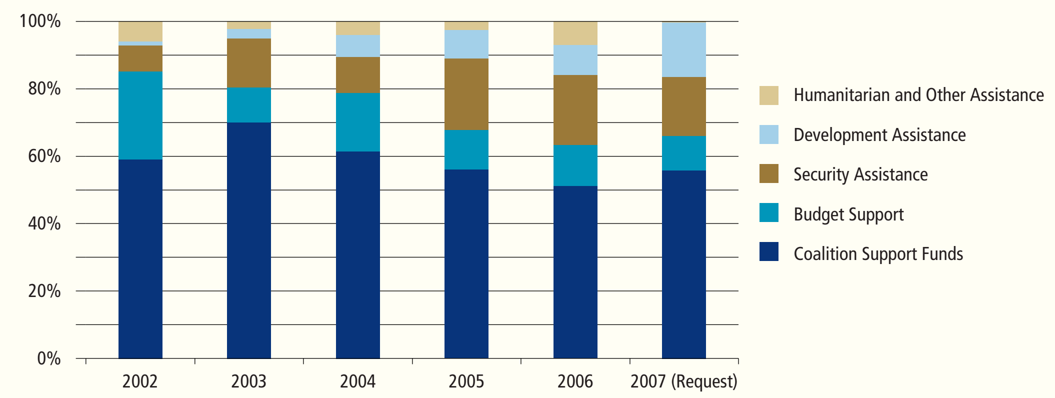
The Soviet occupation of Afghanistan throughout the 1980s led the Reagan administration to re-engage with Pakistan. In 1981, the United States negotiated a 5-year, $3.2 billion aid package. As the Soviet Union began to withdraw its troops from Afghanistan in the late 1980s, however, the United States again reduced assistance. Once the Soviet threat had receded, Pakistan's nuclear activities rose again to the fore in the minds of foreign policy officials in the administrations of Presidents George H.W. Bush and Bill Clinton, both of whom were wary of providing steady or substantial forms of assistance.

U.S. ECONOMIC ASSISTANCE TO PAKISTAN (in millions, historic $US)



Source: US Overseas Loans & Grants [Greenbook].

U.S. ASSISTANCE TO PAKISTAN, 2002–2007



Calculations made from Craig Cohen, "A Perilous Course: U.S. Strategy and Assistance to Pakistan" (Center for Strategic and International Studies, August 2007) p. 57.

Following the terrorist attacks on the United States on September 11, 2001, Pakistan once again became a key ally and a leading recipient of U.S. aid, largely in the form of military assistance. An August 2007 Center for Strategic and International Studies report estimates U.S. assistance to Pakistan since 9/11 to be over $10.5 billion, not including covert funds. The vast majority has gone toward Coalition Support Funds (reimbursement for Pakistani assistance in the war on terrorism), major weapons systems, and budget support.

In contrast, less than 2 percent of this $10.5 billion has gone towards development assistance.[12] The vast majority of these funds "(have) not been directed to Pakistan's underlying fault lines, but to specific short-term counterterrorism objectives," according to Craig Cohen, the author of the CSIS report.[13]

Despite our heavy financial investment in the peace and stability of Pakistan, the outcome has not been what our inputs intended. Deaths from terrorist violence within Pakistan have skyrocketed since 2001, from 189 in 2003 to 648 in 2005 and 3,599 in 2007.[14] One of the multiple reasons for this spike is that our large assistance package is directed predominantly toward military rather than economic, social, or development goals. As such, we may strengthen the fighting capacity of the Pakistani government, but we are doing little to change the conditions that extremists so ably exploit.

An overemphasis on military spending hasn't just failed to quell terrorism (see box on page 8) within Pakistan. A January 2008 Pakistan public opinion survey highlights other indications of trouble:

- 84 percent of Pakistanis believe their country is heading in the wrong direction.
- 72 percent believe that their personal economic situation has worsened in the past year.
- 85 percent of Pakistanis feel less secure than they did just one year ago.[15]

A quick glance at another social indicator illustrates why the vast majority of Pakistanis are increasingly worried about their future. Literacy rates are staggering: nationwide, only half of the population is literate, and only one-third of Pakistani

Lost Opportunity

U.S. aid to Pakistan does not help meet national security goals

Pakistan's Federally Administered Tribal Areas (FATA) along its northwest border with Afghanistan have been the main focal point of the U.S.-led efforts to destroy Al Qaeda in the region. The FATA are unpoliced and host a number of terrorist organizations. In March 2008, Chairman of the Joint Chiefs of Staff Admiral Mike Mullen stated that "if I were going to pick the next attack to hit the United States, it would come out of the FATA."[16]

The FATA is also one of the poorest areas of Pakistan. Its annual per capita gross domestic product is $250, half the national average. The overall literacy rate is 17 percent, and for women, an astonishing 3 percent. There is just one doctor for every 6,762 people. FATA and the border regions have received the majority of U.S. foreign assistance dollars while hosting just 3.1 million of Pakistan's 168 million people.[17] From 2002 through 2007, the United States poured $5.8 billion dollars into the region.

Ninety-six percent of those funds were directed toward military operations, 3 percent went for border security, and just 1 percent was allocated for development.[18] Not surprisingly, an April 2008 U.S. Government Accountability Office report concluded that "The United States has not met its national security goals to destroy the terrorist threat and close the safe haven in Pakistan's FATA region."[19]

Despite these massive military investments, Pakistan's Frontier Corps—the paramilitary force in charge of providing security in the FATA—has failed to bring stability to the region. Military aid, many argue, has not improved the current counterinsurgency strategy in northwestern Pakistan. Alan Kronstadt, a South Asia expert at the nonpartisan Congressional Research Service, noted, "A lot of the military assistance has been much more useful for a potential war with India."[20] As much as 70 percent of U.S. military aid has been "misspent" on purchasing systems that are inappropriate for the counterinsurgency struggle.[21]

women can read and write. Despite these striking numbers, U.S. assistance directed toward education since 2001 has averaged just 2 percent of our total aid package—or an average of less than $2 per Pakistani child per year.[22] Unable to read, with few jobs available, and angered by U.S. military action within their borders, many Pakistanis find the strong financial incentives offered by extremist groups are increasingly a welcome alternative.[23]

Absent a sustained strategy that addresses Pakistan's underlying problems, there is little to show for the billions of dollars the United States has invested in Pakistan over the last 40 years. Over one-third of Pakistanis still live in poverty. In fact, this is the moment of opportunity where U.S. foreign assistance could have its greatest impact. Our aid could—and should—go toward improving the livelihoods of the poorest and most vulnerable Pakistanis, not maintaining the shaky status quo with the country's unpopular leadership.

The United States could incur long-term benefits from investing in secular education and trying to improve some of the world's most dismal literacy rates. Investing in agricultural production could have major benefits to the now 77 million Pakistanis—half of the country's population—that are unable to secure an adequate nutritional intake. The current world food crises has already affected 17 million Pakistanis, and partnering with the country's poorest could do much to improve both the United States' image abroad and the lives of those struggling each day to get by.[24] Investing in people and their needs is an essential precondition to achieving any sense of sustainable security in Pakistan.

U.S. foreign assistance constantly misses these windows of opportunity to help build and staff schools, invest in hospitals and dispensaries, and provide the technical assistance needed to build functioning democracies in the developing world. And far too often the United States looks back and in retrospect wonders why countries like Pakistan remain unstable and vulnerable.

Afghanistan

Off-and-on aid invites failure

Afghanistan is a good illustration of what happens when our "aid reaction" is driven by geopolitical interests shaped by the ebb and flow of foreign policy priorities.

Afghanistan's conflicts over the past three decades have been some of the world's most costly. From 1978 to 2001, the Afghan economy lost an estimated $240 billion.[25] As a key front in the Cold War, Afghanistan was the recipient of billions of U.S. aid dollars throughout the 1980s. But following the Soviet withdrawal in the late 1980s, American funding dried up as the U.S. abandoned Afghanistan and the challenges it faced.

The country's infrastructure, institutions, and agricultural systems were devastated. The war had forced one-third of all Afghans to seek refuge in neighboring countries, making the country the world's greatest source of refugees.[26] Though the United States had been a lead provider of assistance during the Soviet occupation, Afghanistan fell off the aid priority list when the Soviets withdrew—until the fall of 2001, when our national security again dictated the need for aid.

Due in large part to the failure of the United States and other donors to maintain a robust development program after the Soviet withdrawal, the opportunity to consolidate the gains borne of the end of occupation was lost. Weakened by the effects of an aggressive conventional war, and absent any international effort to revive it, Afghanistan lapsed into the status of a failed state—a state that was therefore vulnerable to the extremism promoted by the Taliban, and to the operational presence of Al Qaeda.

The consequences of the world's failure to focus attention on Afghanistan before and after immediate security imperatives arise are significant. Today, half of Afghanistan's people live in absolute poverty, 70 percent are illiterate, over 2 million do not have regular supplies of food, and life expectancy is just 43 years.[27] Afghanistan remains the poorest country outside of sub-Saharan Africa.

With a new crisis in play, the United States is, as it should be, back on the scene with foreign aid (see box on page 10). But one can fairly question whether those numbers, and the lives they represent, might have been better had the United States and its aid not left after the last crisis ended.

U.S. foreign assistance has failed to help create alternative livelihoods and counter the current incentives to cultivate poppy. As the situation in Afghanistan grows more precarious, the importance of long-

Failing Again in Afghanistan

U.S. development assistance falls far short of what is required

A March 2008 report by the Agency Coordinating Body for Afghan Relief—endorsed by 94 nongovernmental organizations—found that the United States delivered just half of the $10.4 billion it pledged for 2002 to 2008.[28] The U.S. commitment to help rebuild and develop Afghanistan has already been dwarfed by a new security imperative: Iraq. General Mike Mullen, chairman of the joint chiefs of staff, went so far as to say, "In Afghanistan we do what we can, in Iraq we do what we must."[29]

The failure to focus on Afghanistan has led many Afghans to feel abandoned by the United States, similar to the period following the Soviet withdrawal. The absence of adequate development assistance has led a growing number of Afghans to rely on poppy cultivation as a means of subsistence. Today over 14 percent of Afghans are involved in poppy cultivation.[30] In 2007, Afghanistan produced 93 percent of the world's opium.[31]

Each year, Afghan poppy farmers earn $2,520 compared to non-poppy farmers who earn $670 annually.[32] A 2007 UN survey found poverty alleviation to be the main reason why a record number of Afghans continued to grow the crop.[33] Between 2002 and 2006 the United States spent nearly three times as much on counter-narcotics in Afghanistan than it did investing in both the country's agricultural systems, and helping it to develop alternative livelihoods.[34] Over this same period Afghan poppy production climbed from 3,400 tons in 2002 to 6,100 tons in 2006.[35]

term investments in development become more obvious. Poppy production is on the rise, while incomes for most Afghans are stagnant. The job market is faltering, but the Taliban's recruitment drive is in high gear. U.S. aid invested with an eye on the long term could address, slowly but surely, these fundamental threats to Afghanistan's sustainable security.

In 2008, Afghanistan released its National Development Strategy, a framework—written by Afghans—that lays out the country's goals for economic growth, governance, and security. For sustainable solutions, the United States should complement its counternarcotics strategy with a robust development strategy based on the country's National Development Strategy.

As persistent conflict over the past 30 years has severely damaged key aspects of Afghanistan's infrastructure, an essential starting point would be to increase assistance to the repair of Afghanistan's transportation infrastructure, which would allow for better access to markets. Linking rural villages to the rest of the country would also help integrate often marginalized populations into the country's economy. The United States has played a part in the rehabilitation or construction of 12,200 kilometers of Afghan roads, yet 130,000 kilometers—85 percent of the total road network—are still in need of repair.[36] The security linkages are also clear. As General Karl Eikenberry pointed out, "Where the road ends, the Taliban begin."[37]

Liberia

The cost of picking up the pieces

Liberia illustrates the humanitarian reaction. Over a decade of civil war has left Liberian schools, clinics, hospitals, roads, power facilities, and office buildings in shambles. With 75 percent of its population still living on less than $1 a day, and the economy at a stand-still, Liberia is in urgent need of development assistance to tamp the sparks that could ignite another civil war.[38]

The United States contributed over $1 billion in the three years following the end of hostilities in 2003—but most of that amount went to supporting peacekeeping operations and providing humanitarian assistance. Almost 60 percent of U.S. assistance to Liberia from 2004 to 2006 was funding for peacekeeping funds. Less than 3 percent was for development.[39]

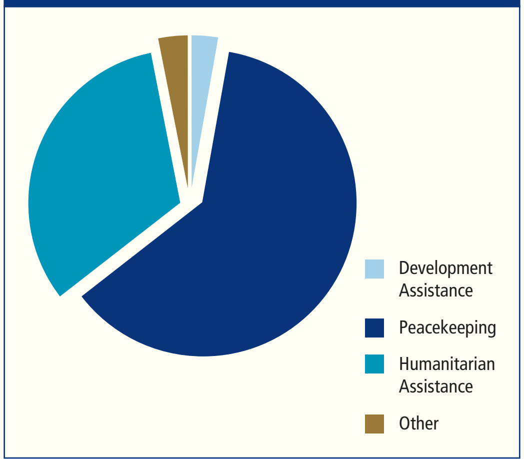
This situation might have been prevented, to the benefit of the people of Liberia and at a tremendous savings to the U.S. taxpayer. The fact is that the deeper a country falls into conflict, the more expensive it is to recover. Throughout the years spanning Liberia's coup in 1980 until the 2003 peace agreement, Liberia's GDP dropped 85 percent.[40] The civil war killed more than 200,000 people, and forced over 750,000 people from their homes.[41] Liberia's total debt is estimated at about $4.5 billion, the equivalent of 3,000 percent of exports and 800 percent of its GDP.[42] Fourteen thousand UN peacekeepers and billions of dollars of foreign assistance, much coming from the United States, are trying to help put Liberia back together.

The on-again-off-again flow of U.S. assistance dollars over the years has done little to promote the development of Liberia and prevent the high costs of its recovery today. Between 1980 and 2006, U.S. foreign assistance to Liberia fluctuated year-to-year by an average of 40 percent.[43] Following Liberian General Samuel Doe's bloody coup in 1980, the United States provided over $430 million in military and economic aid throughout the next six years, almost twice as much as the previous three decades combined."[44]

The late 1980s saw a dramatic decrease in U.S. aid to Liberia, which fell to $19.5 million in 1989. Apart from $10 million in humanitarian and emergency food aid, President George H.W. Bush did not appropriate any funds to Liberia in his first budget request on February 9, 1989.[45] On December 24, 1989, Charles Taylor led a rebellion—supported by just 150 insurgents—that began the civil war that was to tear through Liberia and spread throughout West Africa. The war triggered extensive U.S. spending to support humanitarian relief efforts, refugee programs, and several regional interventions.

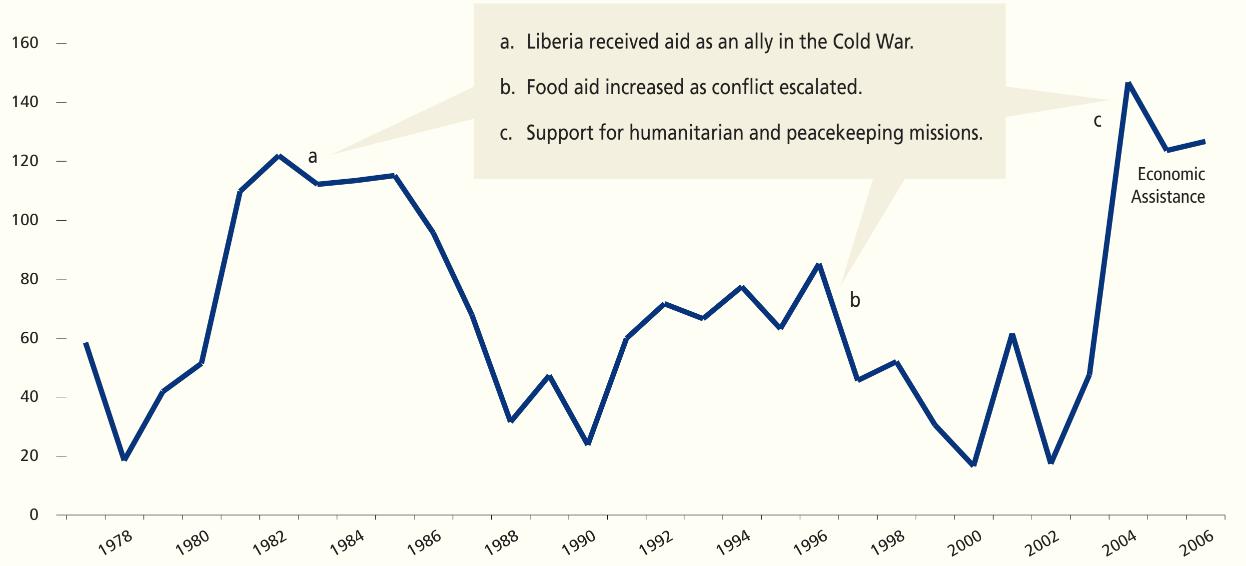
After 20 years of war, Liberia has made significant progress on the road to stability. Ellen Johnson Sirleaf—a Harvard-educated former finance minister and veteran of the World Bank and UN—is launching the reforms necessary to turn her country around,

U.S. ASSISTANCE TO LIBERIA, FY04–FY06



Calculations made from Congressional Research Service, "Liberia's Post-War Recovery: Key Issues and Developments" (Washington: U.S. Library of Congress, Updated August 30, 2007) p. 55.

U.S. ECONOMIC ASSISTANCE TO LIBERIA (in millions, constant 2006 $US)



Source: US Overseas Loans & Grants [Greenbook].

including the fight against corruption and land reform. While the United States should continue to provide humanitarian and peacekeeping assistance for as long as these are needed, there is also a need to increase our development assistance so that conflict does not recur.

Unless and until the Liberian people see the tangible evidence of a "peace dividend"—and can go to school, secure health services, and find jobs—the danger of renewed conflict will remain prominent on the horizon.

Sudan

Funding failure

U.S. aid to Sudan increased dramatically in the late 1970s, when the government of President Jaafar el Nimeiri emerged as "a friend in a hostile neighborhood."[46] That friendship was the product of Sudan's status as a Cold War ally in a region dominated by then-Marxist Ethiopia and Libya's Colonel Muammar Gaddhafi, and because of Sudan's support (as a member of the Arab League) for the Camp David Accords. In sharp contrast to most other African countries, Sudan became a leading aid recipient, receiving $270 million between 1977 and 1981.

When the Cold War ended and Nimeiri was overthrown, U.S. interests and U.S. aid left the scene, only to return a short time later in the form of humanitarian relief aid provided in response to a famine and the then-burgeoning war in southern Sudan. Humanitarian aid continued despite the ascendance to power in 1989 of a regime led by president Omer el Beshir, who was hostile to the United States. During this time, Sudanese government spending on the war in southern Sudan rose to 60 percent of GDP, a figure the International Monetary Fund put at $2 million per day.[47]

From 1989 to 1998, and even as relations between Khartoum and Washington deteriorated sharply, the United States spent over $700 million to support Operation Lifeline Sudan, which managed the provision of relief to the war-torn South.[48] Emergency relief aid was provided at increasing levels until 2005, when a Comprehensive Peace Agreement was negotiated (with the significant involvement of the United States) between the Sudanese government and southern rebels.

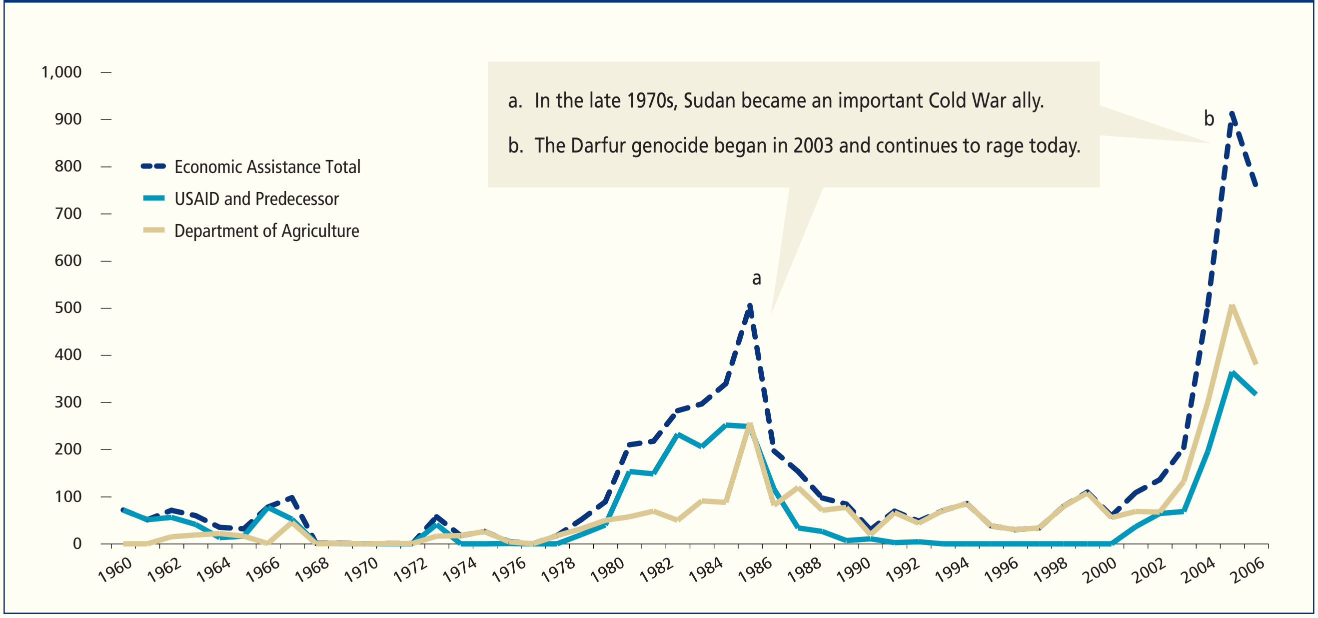
But even as that peace was achieved, a new crisis erupted in the western region of Darfur, where the Sudanese government and its proxy militia were accused by the White House and Congress of pursuing genocide. As the violence increased, so did (again) U.S. assistance. In 2007 alone, the United States provided over $1 billion in humanitarian assistance, along with 67 percent of the food aid distributed by the World Food Program.[49] Since 2000, foreign assistance to Sudan, which now also includes support for peacekeeping operations, has doubled to $2.21 billion.[50]

The numbers are telling: Over 50 years, the United States has allocated over $6 billion in aid to Sudan, most of it for emergency relief. U.S. aid has saved lives, and leveraged similar life-saving assistance from other countries. But U.S. aid has also been tied to either security objectives or crisis response over and above development.

Today, there is little to show for the $6 billion invested in Sudan. The country is governed by an authoritarian regime that is committing genocide against its own people, war rages in Darfur and may soon reignite in the South, 20 million of Sudan's people were living on $1 per day in 2002,[51] and 3 million people in Darfur are fully dependent on aid from the outside world for their survival.[52]

The lack of long-term investment in Sudan is a story of missed opportunity. Post-colonial Sudan had a moment of great potential. In the years between 1956 and 1972 Sudan's civil service had a reputation for being the best in Africa. It had one of the finest regional universities, highly trained public servants and military officers, and an agricultural sector large and rich enough to serve as a breadbasket for the Middle East and Africa.

U.S. ECONOMIC ASSISTANCE TO SUDAN (in millions, constant 2006 $US)



Source: US Overseas Loans & Grants [Greenbook].

In *Fixing Failed States*, Ashraf Ghani and Clare Lockhart point out that: "With these assets, Sudan could have tackled its centuries-old history of regional disparities and turned itself into an economic powerhouse for the area."[53]

Instead, Sudan today is one of the most crisis-ridden and relief aid dependent countries on earth. The point is not that the United States should stop providing humanitarian assistance or stop supporting peacekeeping operations. The point is that we have it upside down.

In order to prevent Sudan from becoming a chronically failed state, the United States must undertake robust and sustained efforts to end the crisis in Darfur and prevent the recurrence of war in the South. That Sudan is where it is today is in some measure due to the fact that the United States, and other major aid donors, have for decades failed to tackle the political contradictions that drive Sudan's recurrent crises. Sudan still lacks roads linking the North and South, it boasts strong, authoritarian government institutions at the center, but weak institutions outside of the capital, and maintains an oil economy that benefits only the country's elites. Only when these major political and developmental challenges are addressed can Sudan's steady decline be reversed.

Ethiopia

Saving lives for future famines

The tendency to spend more on the manifestations of a crisis than on its prevention or resolution is also evident in the way the United States reacts to recurrent natural disasters. Over the past 50 years, Ethiopia has experienced famine or pre-famine conditions at least five times, resulting in the deaths of millions of people. Today 85 percent of Ethiopia's 78 million people rely upon agriculture as a means of subsistence.[54] About 44 percent of the population is food insecure, or unable to meet basic nutritional needs.

The United States is a world leader in responding to famine and hunger, and spends billions of dollars each year on food aid. In 1984–85, when Ethiopia was struck by a famine of "biblical proportions," the United States provided $428.85 million in emergency food aid.[55] But the dollars invested by the United States and other donors in tackling Ethiopia's structural food deficit, increasing production, or diversifying a subsistence agricultural economy was suspended until 1988, when the World Bank and European Community provided some $200 million in agricultural development assistance.[56]

The pattern recurred. In 2003, with Ethiopia facing yet another famine, the U.S. Agency for International Development provided $500 million in food aid. In the same year, USAID invested just $4 million in the country's agricultural development.[57] Obviously, the United States should continue to respond to emergency and humanitarian needs, primarily because the American people strongly support our efforts to provide food to those who face the threat of starvation. But breaking the cycle of famine in Ethiopia requires parallel and greater investments in agricultural development, so that subsistence farmers who live on the edge of survival can produce more and better crops of higher value, access local and national markets, and increase their incomes. Food aid can save people who are dangerously vulnerable to shocks triggered by drought, war, or shifts in the global economy, but only agricultural development can reduce their vulnerability over time.

Missed opportunities and long-term costs

The United States does well when it comes to providing the humanitarian assistance or deploying the peacekeeping missions that are often necessary to manage conflict. But as these examples and others make clear, the U.S. track record on either conflict prevention or on consolidating the gains when peace is achieved is not so positive. One of the reasons is that the humanitarian assistance needed when wars engulf civilians is strongly supported by the American public, while the development aid needed to prevent conflict or consolidate peace is far less popular. The tragic irony is that by focusing more on relief than on development, we incur higher costs over the long term.

Our five case studies also make clear that turning the aid spigot on and off, whether in response to the ebb and flow of crises or to support national security imperatives, rarely yields long-term, sustainable results. And in these cases, where we have spent literally billions of dollars but more on security assistance, peacekeeping, and humanitarian aid than development, the situations have grown worse, rather than better.

Throughout the developing world, the United States spends more on treating the symptoms of a crisis—by providing humanitarian assistance or supporting peacekeeping missions—than on the development programs that support crisis prevention.

By short-changing our ability to prevent crises and front-loading our funding after the fact, we are spending billions of dollars to secure little more than a modest gain in the status quo. As Brian Atwood, the Administrator of USAID during the Rwanda genocide, remarked just one month after the crisis: "Just the other day we made a decision to contribute $35 million additional to handle the disaster [in Rwanda]. One wonders if we had had that $35 million in the previous two years whether we could have done something to avoid the killing."[58]

Each year the United States spends billions of dollars in foreign assistance. Between 1990 and 2006, the United States provided on average over $18.1 billion in economic assistance throughout the world.[59] And while new initiatives have increased foreign aid spending, the recent growth in the foreign assistance budget is also due in part to significant increases in emergency assistance. Emergency or humanitarian aid increased from $114 million in 2000 to $1.7 billion in 2006; humanitarian assistance accounted for 9 percent of U.S. bi-

The United States spends more on treating the symptoms of a crisis than on the development programs that support crisis prevention.

lateral assistance to Sub-Saharan Africa in 2000; and by 2006 it accounted for almost one-third of the budget.[60]

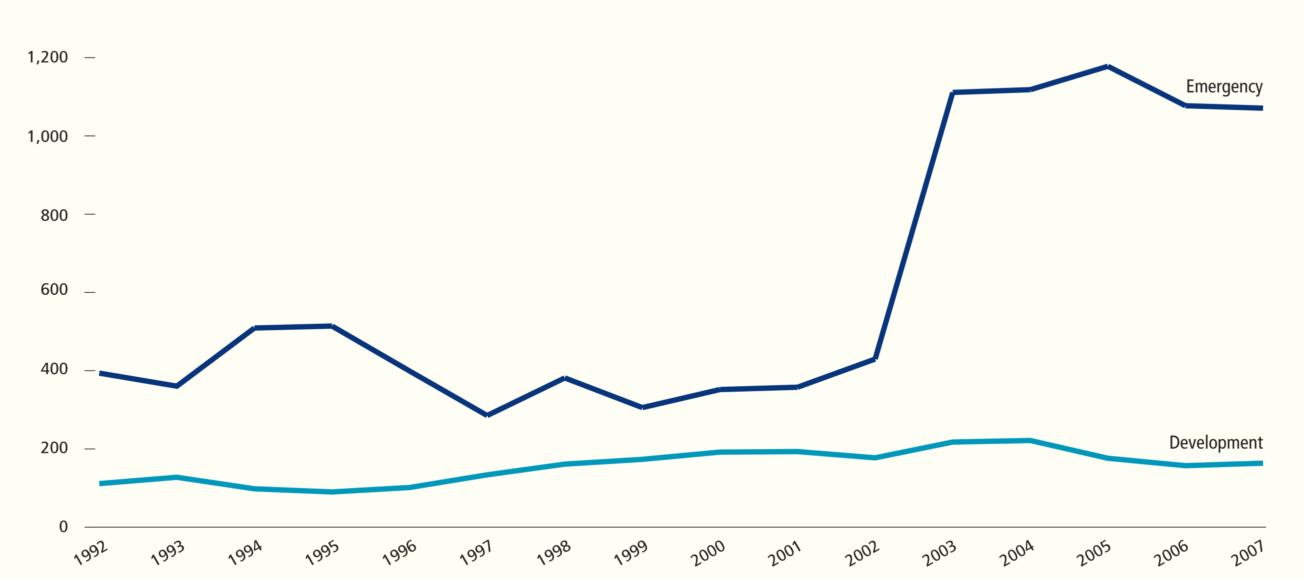
Consider U.S. emergency food aid to Africa, which has skyrocketed while development assistance for agriculture has stagnated. Over the last 15 years, the United States consistently invested less than $200 million annually to agriculture development in Africa. Meanwhile, over the same period, emergency food aid to Africa tended to run twice that amount and, between 2003 and 2007, rose to over $1 billion each year.[61] Chronic food insecurity still plagues much of the continent.

A 2008 Food and Agricultural Organization report noted that 21 of the world's 37 food-insecure countries in need of external assistance were in Africa.[62] From the early 1990's to the beginning of the 21st century, the number of undernourished people living in sub-Saharan Africa rose from 169 million to 206 million.[63] A 2008 U.S. Government Accountability Office report concluded that "addressing emergencies does not break the cycle of low agricultural productivity, high poverty, and food insecurity that has persisted in many sub-Saharan African countries."[64]

Unfortunately the global reality is not much better. Between 2002 and 2006, the United States spent on average $2 billion per year on food aid programs, with much of the total going to the provision of emergency food aid.[65] During this same period, U.S. investment in agricultural development has averaged just $470 million annually.[66] And in the current budget, the ratio is even worse—of all development assistance, only 2 percent is allocated for the agricultural sector.[67]

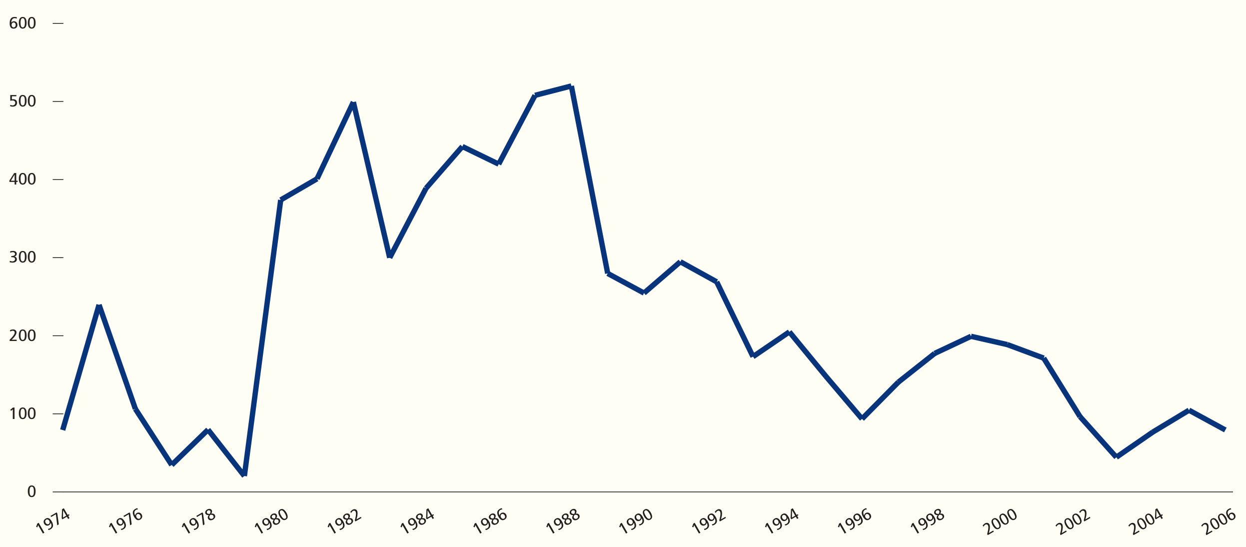
Of the 3 billion people living in rural areas across the globe, 86 percent depend on agriculture for their livelihoods.[68] Allocating four times more funding for food aid than for agricultural development only reinforces the status quo. The Food and Agricultural Organization has estimated that in the developing world 850 million people are under-nourished, and that in sub-Saharan

US FOOD AID TO AFRICA: EMERGENCY AND DEVELOPMENT ASSISTANCE (under Title II of Public Law 480)



Source: GAO analysis of U.S. Agency for International Development data.

TRENDS IN U.S. OFFICIAL DEVELOPMENT ASSISTANCE TO AGRICULTURE FOR AFRICA, 1974–2006 (in millions, constant 2006 $US)



Source: GAO analysis of Organization for Economic Cooperation and Development (Development Assistance Committee) data.

Note: The figure shows U.S. bilateral ODA and does not include U.S. contributions to multilateral organizations, such as the World Bank, African Development Bank, and International Fund for Agricultural Development, which also provide ODA to agriculture. As discussed in appendix I, OECD's classification of ODA to agriculture may underreport funding to agriculture. For example, OECD's ODA to agriculture excludes developmental food aid.

Africa, 30 percent of people suffer from under-nourishment. Getting serious about improving this situation requires a strategy that focuses on prevention, not pouring food into a country after the fact.[69]

Our failure to sustain assistance programs also means that we miss opportunities to break the vicious cycle of poverty or prevent conflict from recurring. Consider, for example, what might have happened had the decision been taken in 1981, when Pakistan received the first tranche in what was to be $24 billion dollars in aid over 25 years, to sustain support for secular education for a 20-year or 30-year period. We might not today be talking about the extremism taught in many madrassas, or debating the best course of action for defeating the Taliban.

Or consider what East Africa might look like today if we had decided to match the dollars provided for food aid with sustained investments in agricultural development. The cycle of starvation might have been broken, and instead of responding to an emergency appeal for famine relief, we might be encouraging U.S. companies to invest in the region's booming agricultural sector.

Striking the right balance

Each of the five countries in this report falls somewhere on the list of weak and failing states—states that President George W. Bush described in his 2002 National Security Strategy as posing a greater risk to America's security than their stronger counterparts. Various failed states indices compiled by the Brookings Institution, the Center for Global Development, and the U.S. Fund for Peace reveal chronically weak or failed states. In the Brookings Institution's 2008 "Index of State Weakness in the Developing World," Afghanistan ranks 2nd, Sudan 6th, Liberia 9th, Ethiopia 19th, and Pakistan 33rd.[70]

We have allocated billions of dollars in foreign aid to these countries over the last 40 to 50 years. Though foreign aid is only one of many factors affecting a country's capacity, stability, and progress, it is clear that we should have something more to show for it.

Foreign aid is more often reactive than proactive for two reasons. First, in those cases where aid allocations are driven by geopolitical or security interests, the aid is often viewed as an investment in securing the allegiance or supporting the aims of a particular ally. In Pakistan, the primary objective was not to support sustainable economic development, but rather to shore up the government of president Pervez Musharraf. Though some aid dollars may go toward development in these cases, the aid disappears when interests subside.

Second, we react quickly and generously to natural or man-made disasters in part because it is easier to secure funding from Congress and support from the American people for humanitarian assistance during a crisis than it is to line up the development assistance that can be used to prevent crises from occurring or recurring. Development assistance geared toward crisis prevention is viewed as high risk and high cost, despite the fact that we incur enormous financial and human costs when crises are not prevented, and erupt or recur.

It is important to understand that U.S. foreign aid alone cannot transform a country, prevent crises, or single-handedly reverse the cycles of poverty and poor governance. Our foreign aid, however, can have greater and more lasting impact. Getting the balance right will take a considerable shift in our analysis and our outlook.

First, we need to elevate both development and crisis prevention in our foreign policy formulation and aid policies. This means making long-term development a central focus of our policy formulations, rather than viewing our foreign assistance as an afterthought. The creation of a cabinet-level development agency, coupled with the establishment of a directorate in the White House mandated to focus on and coordinate U.S. foreign assistance, are two ways that we can ensure that development is factored into our foreign policy deliberations.

Second, we need to expand our time horizon, and look at aid allocations provided today with an eye not just to immediate gains, but also to long-term goals. By elevating development and creating a department staffed by development professionals and able to sit at the foreign policy table, we can do two things at once: provide the aid that is often needed to buttress our immediate foreign policy goals; and most important, over the long-term, invest our foreign aid dollars in programs that can help prevent and mitigate the crises we face over time.

Finally, we need to educate policymakers, Congress, and the American public about the fact that what is true in our own lives is true on the international stage—an ounce of prevention is worth a pound of cure.

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