

CLINTON BLOWS SMOKE OVER FOREIGN AID CUTS

The U.S. Agency for International Development (AID) and its allies are pulling out all the stops in their fight against congressional foreign aid cuts and the reorganization of the foreign policy bureaucracy. AID Administrator Brian Atwood and other Clinton Administration officials have resorted to tagging as "isolationists" those critical of the status quo, including supporters of the American Overseas Interests Act (H.R. 1561). Yet the U.S. foreign aid program, particularly development aid, is riddled with wasteful projects that benefit only the AID bureaucracy and outside contractors. Administration officials have never explained how failed development aid programs demonstrate foreign policy credibility.

Cutting Time. Congress is sure to reject the Administration's request for increased foreign aid spending for 1996. Instead, it will reduce foreign aid from its 1995 level of \$13.7 billion. President Clinton, vowing to reject such cuts, threatens to veto H.R. 1561, which trims \$2.8 billion from the Administration's proposed \$21.6 billion overall foreign affairs budget. H.R. 1561 reduces development aid by some \$800 million and abolishes AID, moving its functions into the State Department.

The Administration's response is an orchestrated campaign to "tar" those seeking to cut and revamp foreign aid as isolationists. National Security Adviser Anthony Lake calls supporters of the House bill "back door isolationists," his epithet for critics of the Administration's foreign aid policies. Atwood, whose AID faces long-overdue extinction, says that would-be foreign aid cutters are "playing with fire."

Notwithstanding Atwood's alarmist rhetoric, AID has been known for years for its inefficiency and wasteful spending. Indeed, previous administrations, repeatedly but unsuccessfully, have tried to reform AID. Atwood himself once recognized the problem. Upon taking office, he described AID as a "disaster" and quickly volunteered it for "reinvention" under Vice President Al Gore's National Performance Review. Administrator Atwood has made much of his reforms in trying to fend off legislative efforts to abolish AID.

Reform efforts have been hamstrung, however. The Vice President's review recognized that AID's reinvention could not succeed if new foreign aid authorization legislation was not secured. The Administration's foreign aid "reinvention legislation" failed in the last Congress. AID's legislative agenda today is different. In the Agency's own words, its bureaucrats seek to "delay, postpone, obfuscate, derail" congressional reform efforts.

Delaying reform will result only in a continuation of AID's notorious waste and inefficiency. AID employs over 9,200 full-time employees and contractors at a cost of more than \$600 million annually and has 998 foreign service officers stationed overseas at a cost of between \$150,000 and \$300,000 per employee—not including salary. By contrast, the German and British development agencies have 27 and 47 overseas staff, respectively. Former Secretary of State James Baker was right when he said that "AID's only useful purpose is to serve as a standard for inefficiency for other agencies to avoid." But the agency's heaviest burden is defending its work.

AID Pork. There is no evidence that foreign aid is instrumental in promoting economic growth. More often, it is destructive. Sometimes it is simply wasted. Consider the following:

- ✗ A U.S. group called Development Associates, Inc., performed an AID contract to study the Agency's own evaluation studies—i.e., a study to study AID's studies.
- ✗ A U.S. company called Planning & Development Collaborative International contracted with AID to sponsor a 1993 study tour in the U.S. for the Romanian Union of Architects. AID never explained how acquainting Romanians with American architecture helps Romania develop a free-market economy.
- ✗ Four organizations collaborated to perform an AID contract worth over \$2 million which culminated in a study of "ecotourism" in Central America that includes a section on "the cultural and socioeconomic impacts of tourism" and a list that ranks "the desirability of native fauna for the tourist industry by marketing value and observation satisfaction." American tourists are better equipped than AID-contracted experts to determine their level of "observation satisfaction" when touring Central America.
- ✗ The Academy for Educational Development of Washington, D.C., in 1993 undertook a study for AID of how Indonesian health workers can improve their interpersonal communication skills. One recommendation of this study: to conduct further study.
- ✗ Chemonics International of Washington, D.C., has a multiyear contract with AID worth nearly \$2 million to spearhead a project "that promotes [throughout the world] public awareness and support for environmental policies and practices by changing individual behavior, institutional activities, and governmental approaches." AID never explains why it is worth \$2 million to the American taxpayer to conduct an environmentalist public relations campaign in the Third World.
- ✗ AID is planning to award a \$1.3 million contract to supply street lamps to the city of Moscow at the same time the Russian government is spending more than \$1 billion to make war on the people of Chechnya.

AID has spent hundreds of billions of dollars on junkets for university professors, studies that gather dust, and other efforts that are irrelevant to promoting economic growth. At best, development aid can make a marginal contribution to encouraging the free-market transitions responsible for economic growth. The programs listed above do not pass even this low standard of success.

Spreading the Pork. Aware of its weak hand, AID has been playing the pork game. In fighting for survival, it has made a virtue of the fact that it spends the taxpayers' dollars at home. Atwood recently noted, "Now, fully 79 percent of the USAID procurement budget, spent to purchase goods and services essential to USAID development work, is spent here in the U.S." AID has been rallying its American beneficiaries to lobby against foreign aid cuts.

Many of AID's American contractors are only marginally "private," being heavily dependent upon AID for support. In essence, they are quasi-government agencies. Some are havens for former AID employees adept at pulling the procurement strings. And like AID, many contractors suffer from large overhead. For example, the U.S. Ambassador to Chad noted in an April report to the Secretary of State that U.S. development aid to that African country "was spent mainly on overhead, expensive contractors and consultants, and had little impact except to develop the culture of dependency which is part of the problem." Congress should resist the temptation to look at development aid as serving a domestic constituency.

The real isolationists are not those looking to eliminate wasteful foreign aid projects. The real neglect of America's international interests comes from those who engineer reckless defense cuts and trade wars with allies like Japan. These are the great issues of the day upon which isolationist reputations will be made—not whether Washington spends a couple of billion dollars less on wasteful development aid and abolishes a hopelessly inefficient AID bureaucracy. When it comes to foreign aid, it is the Clinton Administration that not only is "playing with fire" but blowing smoke.

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