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THESIS

**FOREIGN ASSISTANCE DEPENDENCY: BREAKING THE
CYCLE THROUGH ADVANCED EDUCATION**

by

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December 2010

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**FOREIGN ASSISTANCE DEPENDENCY: BREAKING THE CYCLE
THROUGH ADVANCED EDUCATION**

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Submitted in partial fulfillment of the
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ABSTRACT

This thesis addresses the importance of foreign assistance to U.S. national security. The history of U.S. foreign assistance suggests that a lack of consistent objectives is one of the primary challenges facing effective U.S. aid operations. Strategic aid planners can increase operational effectiveness by focusing on the following four planning considerations: (1) maintaining focus on recipient objectives, (2) stable funding, (3) making programs self-sustaining, and (4) minimizing dependency on U.S. appropriations or NGO donations. This thesis evaluates these factors in the context of three higher education foreign assistance programs.

The Ford Foundation's International Fellowship Program offers an example of an international nonreligious NGO. The USAID-Higher Education for Development Training, Internships, Exchanges and Scholarships partnership in Mexico provides an example of a bilateral foreign assistance program. The Church of Jesus Christ of Latter-day Saints Perpetual Education Fund offers an illustration of the humanitarian operations of an international religious organization.

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LIST OF ACRONYMS AND ABBREVIATIONS

ACE	American Council on Education
ALO	Association Liaison Office for University Cooperation in Development
CEEC	Committee of European Economic Cooperation
ECA	Economic Cooperation Administration
EGAT	Economic Growth, Agriculture and Trade
ERP	European Recovery Program
GDP	Gross Domestic Product
HED	Higher Education for Development
HEW	Higher Education and Workforce Team
IIE	Institute of International Education
IFP	International Fellowship Program
IP	International Partners
JOBS	Job Opportunity for Business Startup
LDS	Church of Jesus Christ of Latter-day Saints
MCA	Millennium Challenge Account
MDG	Millennium Development Goals
MSA	Mutual Security Agency
NAFTA	North American Free Trade Agreement
ODA	Oversees Developmental Assistance
RFA	Request for Application
TCA	Technical Cooperation Administration
TIES	Training, Internships, Exchanges and Scholarships

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I am the proud father of eight children. I believe that role provides me with unique views and perspectives. I, like other parents, want to leave the best future I can for my children. I spent too much time on this project and I look forward to time focused on Calvert, Jocelyn, Edwin, Matthew, Jackson, Hyrum, Lydia and Joshua. Of course, my goals do not happen without their support and especially my wife, Jenny's support. Like millions of others who attempt to thank those closest to them, I find words inadequate.

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I. INTRODUCTION

This thesis addresses the importance of foreign assistance to U.S. national security. The history of U.S. foreign assistance suggests that a lack of consistent objectives is one of the primary challenges facing effective U.S. aid operations. Strategic aid planners can increase operational effectiveness by focusing on the following four planning considerations: (1) maintaining focus on recipient objectives, (2) stable funding, (3) making programs self-sustaining, and (4) minimizing dependency on U.S. appropriations or NGO donations. This paper evaluates these factors in the context of three higher education foreign assistance programs.

The attacks on 11 September 2001 thrust economic development into the forefront of national security politics. Development advocates recommended large increases to foreign aid budgets under the premise that such “soft power” would strengthen America’s security relationships in the developing world while reducing poverty.¹ Since 2002, U.S. National Security Strategies have highlighted foreign assistance as a policy tool to advance economic and security objectives in developing countries. Following military engagements in Iraq, some called on the United States to shift from “exporting fear” to “inspiring optimism and hope” through a modern development agenda.² In May 2010, the President made it clear that the United States is “increasing . . . foreign assistance, [and] expanding . . . investments in . . . development institutions.”³

¹ Lael Brainard, “A Unified Framework for U.S. Foreign Assistance,” in *Security by Other Means : Foreign Assistance, Global Poverty, and American Leadership*, ed. Lael Brainard (Washington, D.C.: Brookings Institution Press, 2007), 5.

² Joseph S. Nye Jr., “The Future of Soft Power in US Foreign Policy,” in *Soft Power and U.S. Foreign Policy; Theoretical, Historical and Contemporary Perspectives*, ed. Inderjeet Parmar and Michael Cox (Abingdon, OH: Routledge Press, 2010), 9.

³ White House, “National Security Strategy of the United States of America,” (Washington, D.C.: White House, 2010), 33.

In November 2010, Republicans won control of the U.S. House of Representatives largely on an agenda to curb federal spending. The next likely House Foreign Affairs committee chairperson, Congresswoman Ros-Lehtinen, has called President Obama's foreign assistance budget "ambitious in its magnitude."⁴

The debate over aid effectiveness will continue to play a significant role in the discussions of national security objectives. Although the debate is not new, the United States has committed itself to be more effective in the use of foreign assistance funding to "chang[e] the conversation on how best to deliver smart U.S. foreign assistance."⁵

A. LITERATURE REVIEW

The debate over foreign aid is complex and at times confusing. There is an overwhelming amount of data and even more opinions on what it is, and how, where, when or even if it should be used.

A survey by Perkins et al. narrows the debate into three general perspectives on foreign development aid. The first group argues that aid positively impacts developing countries; the second argues the opposite and charges that it does little good and can create significant unintended consequences; the third is a more moderate argument claiming that it can work in the right environment.⁶

1. Arguments for Foreign Assistance

Jeffery Sachs is one of the top cheerleaders for foreign developmental assistance and has led international efforts to implement the UN Millennium Development Goals (MDG). Those following this agenda desire a stronger aid commitment and focus on the

⁴ Charley Keyes, Laurie Ure, and Pam Benson, "Shift to GOP control in House Signals Shift in Foreign Policy Matters," *CNN Politics.com*, November 3, 2010, <http://www.cnn.com/2010/POLITICS/11/03/gop.house.shift/index.html?hpt=T2> (accessed 11/4/2010).

⁵ Millennium Challenge Corporation, "MCC: About MCC," <http://www.mcc.gov/mcc/about/index.shtml> (accessed 6/11/2010).

⁶ Dwight H. Perkins, Steven Radelet, and David L. Lindauer, eds., *Economics of Development*, 6th ed. (New York: W.W. Norton & Company, 2006), 538–54.

fact that the United States provides aid amounting to 0.2 percent of its Gross National Income (GNI) toward Overseas Developmental Aid (ODA).⁷ Since this is well short of the 1970 commitment they argue that OECD countries still owe more than \$4 trillion to ODA.⁸

As evidence of aid effectiveness, they point to the Green revolution, the elimination of small pox, successful vaccination programs and other successful initiatives.⁹ For them the fight against poverty and underdevelopment is a war that needs to be won through an immediate “big push” of foreign assistance.¹⁰ Others argue that foreign assistance can play a crucial role in the democratization process by helping to strengthen government institutions.¹¹

2. Arguments Against Foreign Assistance

On the opposing side, economists like William Easterly question the effectiveness of foreign aid. They highlight constant calls for “emergency” aid from popular media stars and point out that similar calls go back to the 1940s and that such efforts have not historically met expectations. This group attacks the “big push” model as ineffective in providing an economy with the cross-sector investment necessary to raise incomes and savings. Bauer argues that foreign donors improperly allocate resources to projects that

⁷ Data is within ‘Tables and Charts’ link found at Organization for Economic Cooperation and Development, “Development Aid Rose in 2009 and Most Donors Will Meet 2010 Aid Targets,” http://www.oecd.org/document/11/0,3343,en_2649_34487_44981579_1_1_1_1,00.html (accessed 6/11/2010).

⁸ Anup Shah, “Official Global Foreign Aid Shortfall: \$4 Trillion” <http://www.globalissues.org/article/593/official-global-foreign-aid-shortfall-over-4-trillion> (accessed 6/10/2010).

⁹ Al Huebner, “Ending World Poverty is Achievable,” *The Humanist* 66, no. 1 (2006): 44; Douglas A. Hicks, “The End of Poverty: Economic Possibilities for Our Time,” *Cross Currents* 56, no. 1 (2006): 139; Jeffrey Sachs, *The End of Poverty: Economic Possibilities for our Time* (New York: Penguin Press, 2005).

¹⁰ Paul Collier, “African Growth: Why a ‘Big Push’?” *Journal of African Economies* 15, no. S2 (2006): 188.

¹¹ Aníbal Pérez-Liñán Finkel Steven E and A. Seligson Mitchell, “The Effects of U.S. Foreign Assistance on Democracy Building, 1990–2003,” *World Politics* 59, no. April (2007): 405; Ted Dagne, “Africa: US Foreign Assistance Issues,” RL33591 (July 28, 2006) (Washington, D.C.: Congressional Research Service, 2006), 8; Curt Tarnoff and Marian L. Lawson, “Foreign Aid: An Introduction to U.S. Programs and Policy,” RL40213 (April 9, 2009) (Washington, D.C.: Congressional Research Service, 2009), 6.

undermine individual incentives.¹² Well-meaning donors ask “what can ‘we’ do?” The policy outcomes of such a question lead to supply-driven answers reflected in condescending attitudes and ineffective aid delivery that are not always in alignment with demand-driven requirements in recipient countries. Aid opponents also highlight that although nearly \$3 trillion has been spent on foreign assistance many of the same issues remain.¹³

Those arguing against aid claim that aid not only does not work, but it creates dependency, which de-incentivizes recipients from actively participating in entrepreneurial initiatives required in a free market. Moyo argues that aid in Africa has suppressed its potential by increasing corruption, preventing the development of an entrepreneurially minded middle class, provoking civil war, reducing savings and investment, creating inflation, and suppressing export industries.¹⁴

Another claim from this corner is that foreign assistance serves to create competition for funds between countries and discourages coordination among aid agencies. Countries with the greatest need are often left on the outside. Those prepared to spend or borrow the largest amounts of aid often “win” because aid institutions are incentivized by how much they are able to spend.¹⁵ Further, conditions aimed at improving accountability are often ineffective because recipient governments have the option to deal with “politically neutral” donors like China.¹⁶

¹² William Easterly, “Can the West Save Africa?” *Journal of Economic Literature* 47, no. 2 (2009): 373; Andrei Shleifer, “Peter Bauer and the Failure of Foreign Aid,” *Cato Journal* 29, no. 3 (2009): 379.

¹³ Shah, “Official Global Foreign Aid Shortfall: \$4 Trillion.”

¹⁴ Dambisa Moyo, *Dead Aid: Why Aid is Not Working and How There is a Better Way for Africa*, 1st ed. (New York, New York: Farrar, Straus and Giroux, 2009), 48–68.

¹⁵ Shleifer, “Peter Bauer and the Failure of Foreign Aid,” 379.

¹⁶ Ravi Kanbur, “Aid, Conditionality and Debt in Africa,” in *Foreign Aid and Development: Lessons Learnt and Directions for the Future*, ed. Finn Tarp (London: Routledge, 2000), 414–15; Fareed Zakaria, *The Post-American World* (New York, NY: W. W. Norton & Company, 2008), 117.

Djankov argues that governments relying on high levels of aid are similar to those with the “curse of natural resources” or “Dutch disease.” Government control of a valuable resource is often used to preserve power. When foreign assistance revenues are received, there is no accountability to citizens who in turn do not insist on representation because they do not feel they own the government—the population becomes increasingly dependent upon the government.¹⁷

Agencies that rely on donor taxpayers have been compared to “rainmakers” who take credit for successes, but place blame on others when goals are not met. Aid organizations have been criticized for using inexperienced or unethical employees whose primary objective is to spend allocated resources instead of serving true community needs. Misapplied efforts, such as food aid sent to countries with a stable and functioning agricultural sector, can destroy private entrepreneurial incentives to grow and sell selected crops. Perceived colonial arrogance and racism are other charges that have been thrown at agencies.¹⁸

3. Argument for a Moderate Approach

Although the literature is often contentious, both sides have good intentions and typically appeal to case studies to illustrate the strength of their perspective. Although Collier joins Sachs in his desires for a “big push,” he acknowledges that aid has limitations that need to be addressed internally. Easterly acknowledges the success of many of the health initiatives (smallpox, measles), but then discounts those given the

¹⁷ Jose G. Montalvo Djankov Simeon and Reynal-Querol Marta, “Does Foreign Aid Help,” *Cato Journal* 26, no. 1 (2006): 2, 7 and 11; Dirk J. Vandewalle, *The Distributive State* (Ithaca, New York: Cornell University Press, 1998), 219.

¹⁸ Graham Hancock, *Lords of Poverty : the Power, Prestige, and Corruption of the International Aid Business*, 1st ed. (New York: Atlantic Monthly Press, 1989), 11–22.

failure of efforts to resolve the problem of AIDS.¹⁹ At the same time, most aid organization's annual reports paint a rosy picture that would lead one to believe that there are very few challenges in aid delivery.²⁰

Sundberg and Gelb question the past use of aid, but stress that “more and better aid is now going to finance development programs.”²¹ Theoretically, this aid would focus on building democratic institutional capacity. Burnside and Dollar evaluated 56 countries and came to the conclusion that aid is “generally ineffective”; they then evaluated the same countries according to policy typology and found that countries promoting budgetary discipline, inflation control and open trade generally experienced economic growth.²² Despite criticism of these findings, this research has provided the model for aid allocation for many agencies, including the World Bank and the Millennium Challenge Account (MCA).

4. The Private Sector: Micro-Finance and Higher Education

All sides agree the private sector is a vital component for economic development. Most successful economic environments have a solid balance of institutional capacity and private sector production. The primary disagreement between the two sides is how to empower private sector capacity.

“Development from below” initiatives, such as micro-credit, appear to be an attractive option for stimulating private sector entrepreneurial activity, especially in post-conflict areas with large informal economies. Both Sachs and Easterly highlight the success of Yunus Grameen Bank in Bangladesh. While Sachs sells it as a success of aid,

¹⁹ William Easterly, *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good* (New York: Penguin Group, 2006), 241.

²⁰ M. G. Quibria, “Rethinking Development Effectiveness: Facts, issues and policies,” *World Economics* 6, no. 1 (2005): 103.

²¹ Mark Sundberg and Alan Gelb, “Making Aid Work,” *Finance & Development* 43, no. 4 (2006): 14.

²² Quibria, “Rethinking Development Effectiveness: Facts, issues and policies,” 103–04; Craig Burnside and David Dollar, “Aid, Policies, and Growth: Reply,” *The American Economic Review* 94, no. 3 (2004): 781.

Easterly sees it as entrepreneurial creativity meeting a need for affordable credit.²³ In the end, both sides recognize the need for entrepreneurs in development.

Higher education is another form of foreign assistance that can improve the private sector and any move toward free markets. The majority of the literature on foreign educational assistance focuses on primary education. As an example, MDG number two aims to increase primary education in developing nations. As a result, many nations report significant improvements, thereby increasing demand for higher levels of education.²⁴

Higher education is widely viewed as a means to add value to human capital and tends to increase productivity. Earnings tend to rise according to the level of education received, thereby enhancing the private sector.²⁵ Some studies claim that more than 30 percent of U.S. per capita income between 1930 and 1960 resulted from investments in higher education.²⁶ During the last decade, Chinese and Indian investments in university and technical training are said to be largely responsible for the vast development gains they have recently experienced.²⁷

²³ Easterly, *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*, 58–59; Sachs, *The End of Poverty: Economic Possibilities for our Time*, 10–14.

²⁴ International Bank for Reconstruction and Development, “Financing Higher Education in Africa,” (Washington, D.C.: The World Bank, 2010), 16; United Nations, “UN Millennium Development Goals,” <http://www.un.org/millenniumgoals/education.shtml> (accessed 6/11/2010).

²⁵ Perkins, Radelet, and Lindauer, eds., *Economics of Development*, 285.

²⁶ John Aubrey Douglass, “The Race for Human Capital,” in *Globalization's Muse: Universities and Higher Education Systems in a Changing World*, ed. John Aubrey Douglass, C. Judson King, and Irwin Feller (Berkeley: Public Policy Press/Center for Studies in Higher Education: Institute of Governmental Studies, 2009), 46.

²⁷ Douglass, “The Race for Human Capital,” 45.

Although it is widely assumed that higher education is an important component in improving human capital, developing countries face some challenges. Assessing opportunity costs, providing adequate access to education and avoiding the “brain drain” are among the primary concerns facing developing countries.²⁸ Additionally, building educational capacity without strong demand for employment can result in high levels of disenfranchised youth and associated security concerns.²⁹ There is evidence that as economies shrink, in some environments, highly educated young people can pose terrorism challenges.³⁰ To conclude, however, that countries should avoid higher education due to the risk of unemployment would be unwise. The challenge is to simultaneously improve governance and build institutions that promote entrepreneurship and investment. In the absence of education and institution building programs, poverty poses a broader challenge.³¹ Despite these concerns, as demand for higher education increases so will demand for scholarships, grants and student loans.

Given the mixed results and continued debate on aid effectiveness, the most likely outcome is a continued lack of consistent objectives, policies, and resources to foreign assistance programs. There is an abundance of research on foreign assistance that offer a diversity of opinions on key variables related to the impact of education on economic development and conflict. Focusing on education, strategic aid planners may benefit from a closer examination of three higher education foreign assistance programs that offer scholarships, grants or loans as a means to assist target populations. By developing an understanding of the variables that affect program consistency, strategic aid planners may be able to recommend principles and approaches that minimize fluctuations in program execution.

²⁸ Devesh Kapur and Megan Crowley, *Beyond the ABCs: Higher Education and Developing Countries* (Center for Global Development, 2008), 44–52.

²⁹ Luonde Cholwe, “Exploring Youth Unemployment in a Re-structured African Economy: The Case of Zambai’s University Graduates” (Master’s thesis, Dalhousie University (Canada), 2008), abstract.

³⁰ Henrik Urdal, “A Clash of Generations? Youth Bulges and Political Violence,” *International Studies Quarterly* 50, no. 3 (2006): 608.

³¹ Douglass, “The Race for Human Capital,” 47.

B. HYPOTHESES AND METHODS

This thesis addresses the importance of foreign assistance to U.S. national security. A lack of consistent objectives is one of the primary challenges facing effective U.S. aid operations. Strategic assistance planners can increase operational effectiveness by focusing on the following four planning considerations: (1) maintaining focus on recipient objectives, (2) stable funding, (3) making programs self-sustaining, and (4) minimizing dependency on U.S. appropriations or NGO donations. This paper evaluates these factors in the context of three higher education foreign assistance programs.

This will be a qualitative comparative case study looking at the sustainability of three foreign assistance higher education programs. The following assumptions are important for this research:

- Free markets are important to global stability and security.
- Entrepreneurs/private sector jobs play a central role in free market development and serve as the primary source of tax revenues to support a democracy.
- Higher education aimed at private sector improvement is an investment in free markets and global stability.
- Dependency is not a desired condition. It occurs when recipient nations rely exclusively on donor countries to support programs. If a donor nation loses funding capacity, the recipient nation loses the ability to provide lost service and the donor nation loses any political influence.

Each of the three cases examined provides scholarships, loans or grants to individuals or institutions in developing countries. A variety of institutional perspectives have been selected. The Ford Foundation's International Fellowship Program³² is a socially oriented nonreligious NGO, the Church of Jesus Christ of Latter-day Saints Perpetual Education Fund is a religious institution and USAIDs Higher Education for

³² "Ford Foundation International Fellowship Program Home Page," International Fellowship Fund, <http://www.fordifp.org/> (accessed 12/2/2010).

Development Training, Internships, Exchanges and Scholarships initiative is a U.S. government institution. These were chosen as programs with sufficient history and data for evaluation. Additionally, they represent international development institutions with different purposes, perspectives and operational structures.

The qualitative analysis will consist of three general parts. First, it will be necessary to evaluate the overarching *purpose* and associated *organizational structure* of each institution. Second, the four planning considerations required to maintain program *consistency* for recipients will be examined. These include evaluating whether the program is focused on recipient objectives, has stable funding, is self-sustaining through private sector involvement, and eventually moves away from possible dependency on U.S. appropriations or external donations. Third, each case will be examined in light of broader *U.S. policy implications*. This will reveal possible areas to “expand our investment in effective multilateral institutions” and ways to “leverage the engagement of others to share the burden.”³³

³³ White House, “National Security Strategy of the United States of America.”

II. HISTORY: FOREIGN ASSISTANCE AND NATIONAL SECURITY

A. INTRODUCTION

The concept of foreign economic assistance is relatively simple. It is essentially a resource transfer from a donor nation to a recipient nation. How did such a simple concept become such a widely debated and politically loaded topic? How did the United States come to interpret foreign assistance as a tool to “provide for the common defense . . . to *ourselves* and *our* posterity?”³⁴

The primary challenge facing foreign assistance is the lack of consistent objectives, conflicting policies, and the subsequent inefficient allocation of resources. This chapter provides historical examples of how American foreign aid policy has attempted to align security, economic, and humanitarian objectives.³⁵ Aid programs are often marketed in humanitarian terms, while political support is won on security and economic terms. This sets the stage for conflicting definitions of success.

Success is defined by one’s perspective. The U.S. generally views success through its security or economic interests while recipients define it through a humanitarian lens. Aligning U.S. objectives and recipient economic development goals is based on the assumption that development aid leads to prosperity and provides a foundation for strong economic relationships and alliances. Relationships and alliances imply trust-based partnerships. In this sense, the humanitarian objective is the common objective required to build trust, and therefore should remain the primary focus for both donor and recipient.

If the lack of consistent objectives, policies and resources is the biggest obstacle

³⁴ U. S. Constitution, “Preamble.”

³⁵ Each of these terms at its core has a security purpose. The humanitarian objective implies actions designed to serve the recipients immediate needs. The security implication is that these actions serve to build stronger relationships of trust. It would be a tool that adds to U.S. *soft power*, although Nye would argue that it is not *soft power* because it seeks to provide incentives for a specific behavior. Inderjeet Parmar and Michael Cox, “Introduction,” in *Soft Power and U.S. Foreign Policy; Theoretical, Historical and Contemporary Perspectives*, ed. Inderjeet Parmar and Michael Cox (Abingdon, OH: Routledge Press, 2010), 1.

facing foreign assistance success, then it is important to examine (1) why U.S. foreign assistance was created (2) the desired end state (3) how programs were structured and (4) which organizations could best execute the policy.

Constitutional accountability becomes the foundation for structure. The Constitution serves as a contract between American citizens and the elected officials who create foreign policy. This is the driving factor in tying foreign assistance to security or domestic objectives. Since recipients do not have a direct voice in the accountability process, the system relies on the mood and circumstances of Americans. This “principal-agent” problem complicates foreign assistance because taxpayers are not the direct beneficiaries of the appropriation.³⁶

Foreign aid has been a multi-billion dollar tool for U.S. foreign policy since 1948. During that time there have been twelve different Presidents, thirty-two Congresses, four major wars, a bipolar Cold War followed by multipolar globalization, natural disasters, debt and humanitarian crises on top of numerous other issues competing for attention and resources.

B. U.S. FOREIGN ASSISTANCE BEFORE WWII

Other than what appears to have been a one-time appropriation to assist Venezuelan earthquake victims in 1812, the United States did most of its early foreign charity work through private organizations. Occasionally, naval vessels were used to deliver aid or to provide relief in emergency situations, but no long-term commitments were made.³⁷

World War I changed the aid landscape as the magnitude of human disaster prompted several American agencies to become involved in aid delivery. Herbert Hoover was propelled into the political arena after he “splendidly” managed an agency

³⁶ Steven Radelet, “A Primer on Foreign Aid-Working Paper 92,” Center for Global Development, <http://www.cgdev.org/content/publications/detail/8846> (accessed 9/17/2010), 12.

³⁷ *Encyclopedia of the New American Nation*, “Early History of American Foreign Relief–Humanitarian Intervention and Relief,” <http://www.americanforeignrelations.com/E-N/Humanitarian-Intervention-and-Relief-Early-history-of-american-foreign-relief.html> (accessed 9/17/2010).

that provided \$1 billion in relief for war victims. He later helped convince Congress to appropriate \$100 million to feed and clothe 200 million Europeans.³⁸

After WWI anti-communist ideologies in the United States grew as the Bolsheviks took over Russian leadership. Initially, Hoover allowed political ideologies to influence where aid would be delivered. For example, as the presidentially appointed Food Administrator, he withheld food from Hungarian communist revolutionaries to encourage them to avoid Bolshevism. Later however, when Russia faced certain famine, he put aside political ideology for humanitarian concern and convinced Congress to provide aid-- Russia later credited Hoover with saving millions of Russian lives.³⁹

In its earliest stages, American foreign aid preserved this strong humanitarian flavor. The post WWI American Relief Association was created to coordinate a specific humanitarian mission with a definable exit strategy. Although the timetable missed its mark, Hoover began to phase out American efforts and transition capacity to host nations.⁴⁰ By World War II, Americans had developed a strong humanitarian reputation for the private support many people gave to various causes throughout the world.⁴¹

C. TRUMAN-THE INITIAL VISION AND CONSTRUCT

Following World War II, the Truman administration was in search of a new foreign policy. The dynamics of international politics had changed--new security and economic strategies were required in the midst of another humanitarian disaster. Damage from World War II, the communist threat, and nuclear weapons changed the security environment.

³⁸ Spencer Tucker and Priscilla Mary Roberts, *World War I : A Student Encyclopedia* (Santa Barbara, Calif.: ABC-CLIO, 2006), 886.

³⁹ *Encyclopedia of the New American Nation*, "Armistice and Rehabilitation--Humanitarian Intervention and Relief" <http://www.americanforeignrelations.com/E-N/Humanitarian-Intervention-and-Relief-Armistice-and-rehabilitation.html> (accessed 9/18/2010).

⁴⁰ Matthew Lloyd Adams, "Herbert Hoover and the Organization of the American Relief Effort in Poland (1919-1923)," *European Journal of American Studies* 2, no. 2 (2009), <http://ejas.revues.org/7627> (accessed 9/17/2010).

⁴¹ *Encyclopedia of the New American Nation*, "The Interwar Period--Humanitarian Intervention and Relief," <http://www.americanforeignrelations.com/E-N/Humanitarian-Intervention-and-Relief-The-interwar-period.html> (accessed 9/17/2010).

Europe was destroyed during WWII. Britain and France had survived, but they were struggling to provide basic necessities to their populations. Imperial governance was coming to an end, and the United States took its place as the world leader of democracy and capitalism.

American leaders who visited Europe in the immediate months following the end of the war witnessed unparalleled devastation. Millions had died, and throughout Europe, starvation and hopelessness plagued those who had survived. Many of these leaders personally remembered Europe's struggles after World War I and the vows that it would never happen again. The aftermath of WWII made it clear that those convictions had failed.

The immediate end to the war in Europe saw a surge in hope and reconstruction efforts. In 1946, President Hoover was called upon to lead a short-term Famine Emergency Commission aimed at thwarting the post-war starvation threatening Europe and Asia.⁴² Throughout that year extensive structural damage and a harsh winter inhibited European agricultural capacity. It became clear that the available effort and capital was far short of survival needs.⁴³

In terms of the security environment, nuclear weapons changed everything. Nuclear power changed the risks associated with warfare and caused U.S. leaders to pursue policies they may have avoided otherwise. While the United States began as the lone nuclear power, it was widely assumed that the Soviet Union and others would acquire nuclear capability—the only question was when. The war against Germany had forced an unlikely East-West alliance between the United States, France, Great Britain and the Soviet Union, but following the war differences were quickly exposed as they sought ways to collectively govern Germany and rebuild Europe.

While the fear of communism began in 1917 during the Russian revolution, many Americans hoped that past differences could be resolved. Unfortunately, philosophical

⁴² Robert J. Donovan, *The Second Victory: The Marshall Plan and the Postwar Revival of Europe* (Lanham, MD: Madison Books, 1987), 18–19.

⁴³ Hans A. Schmitt, *The Path to European Union: From the Marshall Plan to the Common Market* (Baton Rouge, LA: Louisiana State University Press, 1962), 17–19.

disagreements prevented a unified plan over German and Central European governance. The Soviet Union seemed to have no intention of giving up military gains in Poland and Eastern Europe.⁴⁴ Following the Potsdam and Moscow conferences, Truman and Army Chief of Staff Marshall felt that Stalin desired a weak German economy to enable the spread of communism.⁴⁵

As distrust grew, U.S. fears of communist expansion became stronger. Bloody conflicts in China, Greece, Iran and other places confirmed these feelings and nobody knew where the communist expansion might end. In the eyes of the United States, such expansion threatened national security. When Britain notified the United States in February 1947 that it no longer could support Greece or Turkey in efforts to fight off communists, the United States felt a sense of urgency to act. By March, President Truman declared that it was the obligation of the United States “to support free peoples who are resisting attempted subjugation by armed minorities or outside pressures.”⁴⁶ Dean Acheson provided additional insight on U.S. policy by highlighting that the United States would focus its relief efforts on “areas where it would be most effective in building world political and *economic stability*, in promoting human freedom and democratic institutions” through the United Nations.⁴⁷

Finally, while speaking at Harvard University, Secretary Marshall addressed the humanitarian problem without overtly highlighting national security concerns. Recognizing America’s isolationist past and believing in Acheson’s multilateral approach he sold the plan as a friend assisting an able neighbor during difficult times. The world seemed to be falling apart and the United States was the only country with the capacity to assist in a meaningful manner. It was the job of United States executive leadership to

⁴⁴ David McCullough, *Truman* (New York: Simon & Schuster, 1992), 426.

⁴⁵ Schmitt, *The Path to European Union: From the Marshall Plan to the Common Market*, 20.

⁴⁶ Joseph Marion Jones, *The Fifteen Weeks* (New York: Harbinger, 1955), 3–12.

⁴⁷ *Ibid.*, 29.

take a stand and ask the American people to help. He concluded with “the whole world’s future hangs on a proper judgment, hangs on a realization by the American people of what can best be done, of what must be done.”⁴⁸

While the speech did not directly address the communist threat, the underlying security motive was present and an important part of the legislative debate. Opposition to the bill ranged from right-leaning isolationist concerns to left-leaning imperialist concerns. In the end, the February 1948 communist overthrow of Czechoslovakia made passage of the European Recovery Program (ERP) unstoppable.⁴⁹

1. Desired End State and Initial Structure

The Marshall Plan established the pattern of marketing foreign assistance toward humanitarian objectives while aligning them with security objectives. This is not to imply that humanitarian concerns were superficial. The United States truly saw a humanitarian crisis and deduced that such a crisis could leave Europe vulnerable to an ideological shift, which could harm the American way of life. In the end, it was the security motive that provided the momentum for action, but the program was structured to address the humanitarian objective of reconstruction.

The ERP was designed as a short-term attempt to stimulate production, invite private investment and unify Western European economies.⁵⁰ At its core was the Economic Cooperation Administration (ECA), which was led by an Administrator with a similar role as one of the President’s Cabinet Secretaries. The Committee of European Economic Cooperation (CEEC) was established to give recipient countries a voice through the U.S. Special Representative Abroad. The Public Advisory Board provided private sector experts, while a Joint Congressional Committee was established to provide regular oversight and Congressional interaction.⁵¹

⁴⁸ Jones, *The Fifteen Weeks*, 36.

⁴⁹ Donovan, *The Second Victory: The Marshall Plan and the Postwar Revival of Europe*, 47–50.

⁵⁰ Michael J. Hogan, *The Marshall Plan: America, Britain and the Reconstruction of Western Europe, 1947–1952* (New York: Cambridge University Press, 1987), 93.

⁵¹ George C. Marshall Foundation, “The Economic Cooperation Authority,” http://www.marshallfoundation.org/library/doc_eca.html (accessed 9/19/2010).

Secretary Marshall claimed that the ECA was to focus on operational issues while the State Department would handle foreign policy. The challenge was defining those lines.⁵² Republicans won efforts to appoint someone from the private sector as Administrator. This, along with direct accountability to the President, alleviated concerns that the ECA would be an extension of the State Department and would shift away from its humanitarian objectives.⁵³

Paul Hoffman, during his nomination hearings for administrator' said he saw his job as staying focused on increasing European production, which would serve humanitarian and economic needs.⁵⁴ While the administration and Congress attempted to combine goodwill with national security and domestic interests, there were challenges.

The ECA was tasked to balance Europe's production without hurting American business interests. Shipping and agricultural special interests won some special protection, but overall the legislation enabled the ECA to meet its objective of European production.

Perhaps due to its unique mission and the level of Congressional oversight, the ECA did an admirable job of serving European and American interests. For example, when the United States was facing recession in 1949, President Truman directed federal agencies to buy goods and services in high unemployment areas as much as possible. The ECA responded by pointing countries to these markets as possible sources for cheaper prices and better service, but avoided pressure toward poor business deals. Essentially, the ECA served as European advocates by looking for the best deals possible but emphasized American products when they seemed to be bargains. Due in part to such efforts, the ERP has been credited with aiding the United States during its 1949 economic downturn.⁵⁵

The CEEC was created to provide Western Europe coordinated inputs into the

⁵² Hogan, *The Marshall Plan: America, Britain and the Reconstruction of Western Europe, 1947–1952*, 105.

⁵³ Donovan, *The Second Victory: The Marshall Plan and the Postwar Revival of Europe*, 48.

⁵⁴ Immanuel Wexler, *The Marshall Plan Revisited* (Westport, CT: Greenwood Press, 1983), 57.

⁵⁵ *Ibid.*, 76–77.

foreign aid process. It also played into the security strategy by nudging Europe toward greater collective cooperation and away from the nationalism of the past.⁵⁶ ERP administrators sent an early message when they rejected the first round of economic proposals because they sought to meet individual needs. As participating countries began to increase their levels of cooperation, the program moved toward its security goals.⁵⁷ The CEEC eventually became the OECD, and over time, became one of the first European institutions that helped build the foundation for the future European Union.

The ERP was destined to confront situations where security trumped the humanitarian objective. One such instance came when Congress passed legislation to encourage Western Europe to adopt export controls against Eastern Europe. This was designed to prevent Europe from providing goods to the Soviet Union or its communist allies.⁵⁸ By establishing economic conditions for continued assistance, the United States drew its European allies further within its scope of influence.

Some claim that the ERP did not cause Europe's economic recovery. While this may be true, its most important success was its psychological impact. Recovery accelerated as Europeans saw their countries being infused with capital and the humanitarian injections provided from the Marshall Plan. Although people had been working toward reconstruction, the plan provided basic necessities, hope and a positive impression of the United States.⁵⁹

The Marshall Plan has been overwhelmingly popular. Although some criticize it today, it played a vital role in European postwar recovery and especially provided hope when it was needed. Economic recovery and the fact that many of the recipient countries evolved on to become donor nations, are two accomplishments associated with its efforts. Perhaps one of the greatest weaknesses of the Marshall Plan was its perceived success.

⁵⁶ Hogan, *The Marshall Plan: America, Britain and the Reconstruction of Western Europe, 1947–1952*, 61.

⁵⁷ Vince Crawley, "Marshall Plan Placed Europe on Path Toward Unity," <http://www.america.gov/st/develop-english/2007/May/20070522162259MVyelwarC0.7400019.html> (accessed 9/19/2010).

⁵⁸ Wexler, *The Marshall Plan Revisited*, 78.

⁵⁹ Donovan, *The Second Victory: The Marshall Plan and the Postwar Revival of Europe*, 55.

The program was designed to assist Europe in its short-term recovery then phase out. While the program in Europe did end, it has been a rallying point to justify billions of dollars spent on foreign assistance throughout the world. Other programs have not been as well received and, in some cases, are credited with causing more harm than good to developing nations.⁶⁰

From an economic perspective, the Marshall Plan was credited with increasing trade relationships with European countries and also established an income stream for many industries, especially agriculture and shipping. While that income increased local employment and production, it also stymied true competition and the subsequent lower costs created from true free market competition. By providing domestic incentives, special interest groups were formed to lobby government to protect these benefits. Over time, the affected industries became dependent on the government as a source of income.

In a security sense, the plan did help shift Europe toward collective security. While it served to reassure European allies, it also increased the competition with the Soviet Union and set the precedence for using aid in national security efforts.⁶¹

President Truman revealed the “Point Four” program during his 1949 inaugural speech. This further expanded aid’s role as an influence strategy as it shifted development efforts toward nonEuropean countries and sought to encourage democracy in countries vulnerable to Soviet influence. Although not part of the Marshall Plan, President Truman sought to establish an affordable yet “bold” international assistance program. Many leaders in developing countries, however, interpreted it as a Marshall Plan on an international scale despite Truman’s caution that it would be accomplished with very minimal resources.⁶²

⁶⁰ Moyo, *Dead Aid: Why Aid is Not Working and How There is a Better Way for Africa*.

⁶¹ Point Four added to the competition resulting from deterrence. The U.S. and U.S.S.R. often used signaling as the chosen form of communication. Each action was interpreted by the other adding to the competitive nature of deterrence. The U.S. sought to reassure and incentivize allies through various forms of foreign assistance but it also caused some countries to look for ways to take advantage of the potential rewards. Janice Gross Stein, “Deterrence and Reassurance,” in *Behavior, Society, and Nuclear War*, ed. Philip E. Tetlock et al. (New York: Oxford University Press, 1991).

⁶² Sergei Y. Shenin, *The United States and the Third World: The Origins of Postwar Relations and the Point Four Program* (Huntington, New York: Nova Science Publishers, Inc., 2000), 20–22.

Point Four was set in motion through the 1950 Act for International Development and Foreign Economic Assistance Act. In these bills the Technical Cooperation Administration (TCA) was created under the Department of State to "provide scientific and technical assistance and encourage political stability along with economic and social success."⁶³

The TCA aimed to accomplish its humanitarian mission with a "people to people" training approach as opposed to a large inflow of American capital. The premise of this approach was that the "power of education and the promise of technology" were the keys to true economic development.⁶⁴ In light of the immediate national security challenges and a shift toward deterrence, the State Department pushed for a greater capital influx. Although Truman pushed back, the momentum toward a broader deterrent strategy and the Korean War was too great.⁶⁵

The Mutual Security Act of 1951 broadened and transferred the ECA into the newly created Mutual Security Agency (MSA). This was the first attempt to fit longer term development objectives under the larger deterrent strategy. By placing the ECA under the auspices of the MSA, many long-term development objectives would compete with short-term security efforts. For example, most technical assistance initiatives were approved by the ECA, but initiatives in strategically important areas, required higher levels of approval.⁶⁶

NGOs were valuable to the Point Four concept. As the government examined ways to build this new program they looked to NGOs for expertise and resources.

⁶³ "Records of U.S. Foreign Assistance Agencies, 1948–1961," National Archives and Records Administration, <http://www.archives.gov/research/guide-fed-records/groups/469.html#469.4> (accessed 9/20/2010).

⁶⁴ Shenin, *The United States and the Third World: The Origins of Postwar Relations and the Point Four Program*, 75.

⁶⁵ *Ibid.*, 82.

⁶⁶ Vernon W. Ruttan, *United States Development Assistance Policy: The Domestic Politics of Foreign Economic Aid* (Baltimore, MD: John Hopkins University Press, 1996), 63.

Religious organizations, private foundations and universities were well equipped with money, knowledge, experience, people and desire.⁶⁷

Religious organizations were vital, but they also proved to be a tremendous challenge. In 1950, religious funding toward technical assistance programs was more than double government funding. Religious groups supported the Point Four concept, but they did not want the government to dictate their activities. At the same time, the government wanted to avoid the appearance of state sanctioned proselytization. The best compromise seemed to be government grants for organizations to do their work.

Religious groups viewed the merger of foreign assistance under the MSA as a shift away from the original humanitarian intentions. As Cold War realities pushed foreign assistance closer to more obvious security roles, several religious groups shifted their support and called for a return to original policies.⁶⁸

D. PRESIDENT EISENHOWER AND “MASSIVE RETALIATION”

General Eisenhower’s military performance during WWII won him the opportunity to serve as Commander in Chief. While maintaining the overall policy of containment, his preferred deterrence strategy was “massive retaliation.” The premise of this strategy was that containing communism wherever there was a threat was expensive and it put the United States in a continually defensive state of mind. Instead, Eisenhower claimed his administration would not hesitate to use nuclear weapons in the event that vital American or allied interests were attacked. This led to increased competition with the Soviet Union, an expensive arms race, and a growing fear that nuclear war was imminent.⁶⁹

In his inaugural address, Eisenhower argued that economic development was a matter of security—“the impoverishment of any single people in the world means danger

⁶⁷ Shenin, *The United States and the Third World: The Origins of Postwar Relations and the Point Four Program*, 153.

⁶⁸ Shenin, *The United States and the Third World: The Origins of Postwar Relations and the Point Four Program*, 164–69.

⁶⁹ Lawrence Freedman, *The Evolution of Nuclear Strategy*, vol. 3rd (New York: Palgrave Macmillan, 2003), 72.

to the well-being of all other peoples.”⁷⁰ As a Republican, he believed that poverty should be confronted through a strong private sector. As a consequence, the foreign assistance budget dropped from \$7.6 billion in 1953 to \$3.5 billion in 1955. After the Soviets promised economic assistance to India in 1955, U.S. policymakers pressed for an increase in publicly provided aid. By 1956, Congress reported that “foreign aid appears to be the most useful nonmilitary device available to the United States for influencing other nations.”⁷¹

As debate continued over how foreign assistance could best accomplish its role in national security, President Eisenhower created the Foreign Operations Administration to further consolidate aid programs. In 1955, the State Department captured many foreign assistance programs with the creation the International Cooperation Administration (ICA). While the steps were important for bringing aid under a larger security umbrella, they did little to encourage humanitarian efforts.

This restructuring led to disagreements over the direction of aid. Not only did humanitarian objectives compete with security objectives, but economic self-interest grew as a motive for foreign development. For example, the United States shipping lobby successfully pressured the ICA to ship all aid via American ships. These subsidies provided short-term advantages, but by 1961, politicians were looking to wean the industry off its aid addiction.⁷²

The 1950s illustrate how U.S. security objectives can take precedence over humanitarian objectives. As the Cold War became more intense and competitive, the ability to patiently await humanitarian outcomes became unrealistic in the midst of more

⁷⁰ Multieducator Inc., “First Inaugural Address of President Eisenhower,” Multieducator Inc., <http://www.historycentral.com/Documents/Eisenhower.html> (accessed 9/19/2010).

⁷¹ Ruttan, *United States Development Assistance Policy: The Domestic Politics of Foreign Economic Aid*, 70–76.

⁷² “Tide of Subsidy,” *Barron’s National Business and Financial Weekly*, March 20 1961, 1.

immediately pressing security concerns. Instead of focusing on the development needs of the time, foreign aid became a tool to win allies and influence.

Incentives can serve as a means to solve problems or create additional ones. Countries or interest groups have marketed problems in the context of available incentives. For example, as the United States shifted its focus toward security objectives, many poorer countries have advertised their problems in security terms. Domestic interest groups have marketed strong employment as critical to national security while NGOs that might have lost access to funds in a security focused environment have decried the lack of focus on humanitarian needs. Whatever the truth was, the money available through foreign aid serves as a magnet for interest groups and generates further debate on the subject.

By 1960, foreign aid was a centerpiece of the U.S. containment strategy. As Kennedy came into power, the nation was already debating significant and meaningful changes in foreign assistance.

E. PRESIDENTS KENNEDY AND JOHNSON: DEVELOPMENT DECADE

“Flexible response” expressed John F. Kennedy’s overall foreign policy strategy. This strategy was designed to reduce tensions created by nuclear deterrence. Early security challenges with the Berlin and Cuban Missile crises tested Kennedy’s resolve to avoid nuclear war more than any other President. Perhaps due to the growing tensions, emphasis was placed on alternate means of security like foreign assistance. In this environment “foreign aid . . . and the military assistance program [became] the most critical elements” in U.S. national security.⁷³ Rostow’s development views influenced Kennedy’s policy by assuming that many underdeveloped countries could become strong trading partners and serve as strategic allies in defeating communism.⁷⁴

Kennedy recalibrated foreign assistance toward the original humanitarian

⁷³ Encyclopedia of the New American Nation, “The Peak of Prestige: Foreign Aid under Kennedy,” <http://www.americanforeignrelations.com/E-N/Foreign-Aid-The-peak-of-prestige-foreign-aid-under-kennedy.html> (accessed 9/17/2010).

⁷⁴ Ruttan, *United States Development Assistance Policy: The Domestic Politics of Foreign Economic Aid*, 69–70.

objectives espoused by Truman. The 1961 Foreign Assistance Act consolidated many of the existing development programs under the newly established Agency for International Development (USAID). This sub-cabinet level department focused exclusively on development issues rather than the more pressing security objectives.⁷⁵

Despite good intentions, the security environment during the Cold War continued to demand attention. Relationships take time to solidify, so while the United States made appropriate diplomatic gestures, there were underlying currents, which challenged the alignment of humanitarian and security objectives. Rakove argues that four challenges prevented successful alignment.⁷⁶

First, imperialism was fresh in the minds of many developing countries. Aid was perceived as a tool to maintain imperial control. Second, many borders had been created by the colonial powers. International institutions worked with western-defined boundaries while largely ignoring local rivalries. Third, foreign aid funding attracted special interest groups, which put intense political pressure on Congress on conflicting interests. Fourth, the Vietnam War captured the world's attention.

Vietnam became the most pressing security concern in the late 1960s. As the United States realized it was in a fight beyond its expectations, public distrust led the Johnson administration to focus on ways to end the war and detracted from efforts to maintain long-term development goals. The conflict absorbed increasingly significant amounts of economic assistance. The Economic Support Fund, which was designed to strengthen strategic allies through political and economic assistance, spent nearly 90 percent of its appropriations on Vietnam by the late 1960s.⁷⁷

Three other security challenges brought pressure on the foreign assistance agenda. First, Kennedy's program to assist Latin America ran into problems after the United States invaded Cuba. Countries that had been enthusiastic supporters of the United States

⁷⁵ Ruttan, *United States Development Assistance Policy: The Domestic Politics of Foreign Economic Aid*, 69.

⁷⁶ Robert Benjamin Rakove, "A Genuine Departure: Kennedy, Johnson, and the Nonaligned World" (PhD dissertation, University of Virginia, 2009), abstract.

⁷⁷ Ruttan, *United States Development Assistance Policy: The Domestic Politics of Foreign Economic Aid*, 254.

suddenly became distrustful of ulterior motives. This mistrust played a role in Argentina, Brazil and Peru shifting away from U.S. backed constitutional reform agendas.⁷⁸ Second, the Iranian Shah took advantage of foreign aid politics by playing up the communist threat in order to win American economic and military assistance. Although he was able to maintain power throughout the 1960s, it created an environment of distrust, which ultimately came back to haunt him and the United States in the late 1970s.⁷⁹ Third, the United States provided both India and Pakistan with aid, which was later used to support their war against each other.

As a result, foreign assistance was viewed with increased scrutiny. By 1969 the United States development budget decreased from 0.57 percent of GNP in 1962 to 0.33 percent.⁸⁰

NGOs began to be more politically active as money flowed into development programs. Although their role in early debates was minimal, seeds were planted for NGO lobbyists.⁸¹ These organizations typically advocated for aid disbursement through multi-lateral organizations such as the United Nations and displayed growing concern as aid took on a greater security role.

As Marshall Plan recipients became more prosperous, they were expected to carry a portion of international aid responsibilities. By 1960, the Development Assistance Group was formed by CEEC nations to move the aid agenda forward.⁸² During this time, these members of the “donors club” were recognized as an elite group and were expected to provide 1 percent of their gross national income to foreign assistance. In some ways, this expectation served to further divide the world. Perceived success focused on quantitative rather than qualitative impact and it led to increasingly blurred definitions of

⁷⁸ Ruttan, *United States Development Assistance Policy: The Domestic Politics of Foreign Economic Aid*, 443–44.

⁷⁹ April R. Summitt, “For a White Revolution: John F. Kennedy and the Shah of Iran,” *The Middle East Journal* 58, no. 4 (2004): 560–75.

⁸⁰ John White, *The Politics of Foreign Aid* (New York: St. Martin’s Press Inc., 1974), 224.

⁸¹ Ruttan, *United States Development Assistance Policy: The Domestic Politics of Foreign Economic Aid*, 70.

⁸² White, *The Politics of Foreign Aid*, 216–17.

foreign assistance. During this era, the UN saw themselves as a single voice for humanitarian interests and an advocate for the unified interests of developing countries. As quantitative measurements became the standard, it became evident that development problems were often country or region specific. As a result, the UN became a greater proponent of basic human needs.⁸³

F. PRESIDENT NIXON: NEW DIRECTIONS TOWARD BASIC HUMAN NEEDS

Nixon's Cold War strategy of détente set the stage for his "New Directions" foreign assistance policy. Within détente was the motive to "phase down American commitments in the world."⁸⁴ The top priority during this period was Vietnam--America wanted out.

The Vietnam War highlighted the failure of foreign aid to many politicians. With two decades of foreign assistance experience it seemed that opponents were increasing as many promises from aid advocates were unfulfilled. Billions of dollars had been spent with little results and American troops were dying on a daily basis.⁸⁵ In this political climate New Directions was born.

As the quality of aid was questioned, politicians attempted to create solutions through amendments to the 1961 FAA legislation. Congress typically allowed the White House to create much of U.S. foreign policy, but by the 1970s tensions were so high that the Senate rejected the 1971 foreign assistance authorization bill--the first such bill ever rejected.⁸⁶

There were growing rifts on how foreign assistance policy should be conducted. President Nixon pressed for reform based on the 1969 Peterson Commission recommendations. Among other things, they called for an increased role for the private

⁸³ White, *The Politics of Foreign Aid*, 222.

⁸⁴ Ruttan, *United States Development Assistance Policy: The Domestic Politics of Foreign Economic Aid*, 96.

⁸⁵ Kenneth W. Thompson, *Foreign Assistance: A View from the Private Sector* (Notre Dame, IN: University of Notre Dame Press, 1972), 2.

⁸⁶ "USAID: USAID History," USAID, http://www.usaid.gov/about_usaid/usaidthist.html (accessed 9/20/2010).

sector and recipient nations. Additionally, security and humanitarian objectives continued to create confusion, which led to calls for a further separation of military and economic aid and even the abolishment of USAID.

While Nixon's recommended legislation failed (partly due to a lack of USAID support), Congress passed the New Directions legislation to drive aid closer to meeting basic human needs. This congressionally led effort aimed to generate "interdependence" with recipient nations and re-energize foreign assistance toward human rights.⁸⁷

For some, New Directions was an exclamation point on aid reform. While it is still the foundation of much of today's policies, it did not take long for further calls for change.

G. PRESIDENT CARTER: SHIFTING THE STRATEGY

President Carter entered office as a supporter of strong humanitarian focused programs. He did not see how American fear of communism justified support for ruthless dictators with their anti-communist ideals. Early in his Presidency he tolerated leftist revolutionaries and he averted a confrontational approach to the Soviet Union until they invaded Afghanistan. At that point, political pressure re-enthroned the fears he sought to overcome and foreign assistance continued to maintain a strong security-centric agenda.⁸⁸

Another challenge facing the Carter administration was the large and growing foreign aid bureaucracy. In an effort to improve aid effectiveness and maintain a humanitarian focus, he created the International Development Cooperation Agency in

⁸⁷ Ruttan, *United States Development Assistance Policy: The Domestic Politics of Foreign Economic Aid*, 103.

⁸⁸ Ruttan, *United States Development Assistance Policy: The Domestic Politics of Foreign Economic Aid*, 120–21.

1979. The vision of this agency was to coordinate executive branch aid assistance into a “super aid coordinating body.” In reality it ended up adding to the bureaucratic challenges and was disbanded in 1999.⁸⁹

H. PRESIDENT REAGAN: THE SUPREMACY OF SECURITY

The foreign policy transition between President Reagan and Carter was one of stark contrasts. President Reagan came to power in the midst of the Iranian hostage crisis. He portrayed Carter as weak on foreign policy by focusing on Carter’s security failures in Iran and Russian expansion efforts into Afghanistan. While Carter emphasized the human rights aspects of aid, Reagan justified all aid in security terms, even going as far as claiming that humanitarian objectives were achieved by “rolling back” Soviet expansion.⁹⁰

Reagan’s strategy focused on U.S. security efforts. Countries with perceived strategic importance and friendly to the United States were rewarded with surges in economic and military assistance. Israel and Egypt led receipts, while sub-Saharan Africa, arguably the region with greatest needs generally received the least.⁹¹ These relationships were strengthened despite human rights concerns. South Africa offered the United States critical raw materials for its defense infrastructure and therefore earned partnership status despite apartheid policies. Nicaragua’s Sandinista government had overthrown a dictator charged with corruption and human rights violations. While Carter recognized the new Marxist regime, Reagan quickly sought its demise by supplying aid to anti-communist governments in Honduras and El Salvador.⁹² These were justified by

⁸⁹ Larry Nowels, “Foreign Aid Reform Commissions, Task Forces, and Initiatives: From Kennedy to the Present,” in *Security By Other Means: Foreign Assistance, Global Poverty, and American Leadership*, ed. Lael Brainard (Washington, D.C.: The Brookings Institution, 2007), 258.

⁹⁰ Simon Payaslian, *U.S. Foreign Economic and Military Aid: The Reagan and Bush Administrations* (Lanham, MD: University Press of America, 1996), xiv–xv.

⁹¹ Robert L. Curry, Jr., “A Review of Contemporary U.S. Foreign Aid Policies,” *Journal of Economic Issues* 24, no. 3 (1990): 818.

⁹² Payaslian, *U.S. Foreign Economic and Military Aid: The Reagan and Bush Administrations*, 27–29 and 126–31.

stating that “human rights is at the core of our foreign policy . . . it is its very purpose: the defense and promotion of freedom in the world.”⁹³

Also central to Reagan’s philosophy was tying foreign aid to free market principles. The Caribbean Basin Initiative was designed to encourage trade relationships between U.S. Corporations and Caribbean countries. To incentivize these relationships, economic aid to the area was increased by \$350 million.⁹⁴ As free markets were emphasized, so was a push for smaller government, which led to an increased emphasis on aid flowing through NGOs. Congress mandated that a minimum level of 13.5 percent of economic aid should be funneled through NGOs beginning in 1981. This requirement was based on the perception that NGOs are closer to the private sector, have better human needs capacity, serve without political agendas and work better with international NGOs.⁹⁵

In the early 1980s the budget faced challenges due to difficult economic times. Economic assistance went from 1.09 percent of the budget to 0.84 percent. Military aid, on the other hand, experienced an increase, thereby confirming that security labels help win resources.⁹⁶

The 1987 Hamilton-Gilman Congressional Task Force addressed the “changing global conditions” and sought to reform foreign aid operations, examine requirements, and clarify aid’s role in foreign policy. The recommendations were ignored, largely because Congress did not want to give up any “power of the purse.”⁹⁷

Congressional earmarks and conditions bogged down the ability to effectively execute policy. For example, Reagan sought to allocate \$500 million of a \$1.7 billion

⁹³ Payaslian, *U.S. Foreign Economic and Military Aid*, 35.

⁹⁴ Payaslian, *U.S. Foreign Economic and Military Aid: The Reagan and Bush Administrations*, 25.

⁹⁵ Ruttan, *United States Development Assistance Policy: The Domestic Politics of Foreign Economic Aid*, 228.

⁹⁶ Payaslian, *U.S. Foreign Economic and Military Aid: The Reagan and Bush Administrations*, 62.

⁹⁷ Nowels, “Foreign Aid Reform Commissions, Task Forces, and Initiatives: From Kennedy to the Present,” 259.

military aid request toward Israel's needs. Congress required \$800 million for Israel without a topline increase. This reduced the ability to meet commitments made to the other twenty-one nations.⁹⁸

Reagan's foreign policy team initially sought bilateral aid over multilateral due to its "accountab[ility] to the American taxpayer."⁹⁹ The 1982 Mexican debt crisis caused a change of mind. Debt crisis problems led to the "lost development decade" label as poverty alleviation efforts were set aside to pursue administrative adjustments.¹⁰⁰

I. PRESIDENT BUSH: THE END OF THE COLD WAR

President Bush presided as the bipolar Cold War melted into a U.S. dominated Washington consensus, which championed market successes over state controlled solutions. As the most significant foreign policy issue dissipated, President Bush faced uniquely challenging circumstances. Although his leadership in foreign assistance was perceived as inadequate, much of this can be attributed to budget pressures, a new global environment, and the Gulf War.

One of the outcomes of the Cold War victory was a \$3 trillion national debt combined with a budget deficit near \$220 billion.¹⁰¹ Defense and security budgets previously justified in the Cold War environment were no longer possible. Domestic pressures demanded a return to smaller government and tighter budgets.

One of the chief complaints against the Bush administration's program was its slow response to Russian transition needs. As Russia aimed to steer toward a free market economy, the United States appeared more concerned about interest payments due from the old regime than assisting in critical economic reforms.¹⁰² The Soviet Union collapse

⁹⁸ Payaslian, *U.S. Foreign Economic and Military Aid: The Reagan and Bush Administrations*, 63.

⁹⁹ Ruttan, *United States Development Assistance Policy: The Domestic Politics of Foreign Economic Aid*, 364.

¹⁰⁰ Eric Thorbecke, "The Evolution of the Development Doctrine and the Role of Foreign Aid, 1950–2000," in *Foreign Aid and Development: Lessons Learnt and Directions for the Future*, ed. Finn Tarp (London: Routledge, 2000), 33.

¹⁰¹ Payaslian, *U.S. Foreign Economic and Military Aid: The Reagan and Bush Administrations*, 67.

¹⁰² Jeffrey Sachs, "Home Alone 2," *The New Republic* 207, no. 26 (1992): 23.

provided an opportunity for the United States to provide meaningful assistance toward free market reforms. Instead, it planted seeds of mistrust.

Aid to Israel and Egypt remained strong throughout his term. This was due to the strategic importance of both countries and their roles during the Gulf War. Israel withheld a military response to Iraqi attacks and Egypt assisted by forming coalitions and pressuring Iraq to conform to demands.¹⁰³

J. PRESIDENT CLINTON: GLOBALIZED SECURITY ENVIRONMENT

In the 1990s world tensions, which had been contained, suddenly exploded. UN peacekeeping operations soared from 11 in the 1980s to 69 in the 1990s—most of these took place in Africa where ethnic conflicts had been suppressed by colonialism and dictators.¹⁰⁴ In this light, the security environment shifted toward multilateral peace operations and renewed calls for basic need assistance efforts. Bosnia, Somalia, Rwanda and others illustrate the complications the donor community faced.

By the time the Clinton administration entered office “aid fatigue” had been engrained in the public psyche. Once again a task force was created to craft recommendations in the new security environment. Central to the U.S. foreign assistance challenges was that “it is burdened by too many responsibilities and expected to accomplish too many objectives.”¹⁰⁵ As a result, USAID relied heavily on contractors (NGOs) to conduct nearly 75 percent of their overseas projects.¹⁰⁶

As the system provided incentives for a growing number of NGOs, another problem arose. In the environment of donor-driven aid, humanitarian work became an industry. Many organizations relied on humanitarian problems to maintain cash flow and NGOs often attracted the most educated citizens in a target country with good pay and

¹⁰³ H. Seleh, “Debts Waived,” *MIDDLE EAST INTERNATIONAL*, Issue 383, p.11, no. 383 (1990): 11.

¹⁰⁴ Paul F. Diehl, *Peace Operations* (Cambridge, UK: Polity Press, 2008), 62.

¹⁰⁵ National Performance Review, “From Red Tape to Results: Creating a Government that Works Better and Costs Less/ Report of the National Performance Review,” (Washington, D.C.: U.S. Government Printing Office, 1993), 2.

¹⁰⁶ *Ibid.*, 28.

benefits. Contracting for aid projects led to competition between donor-driven aid and genuinely local NGOs, which were not equipped with the same level of resources.¹⁰⁷

In the end, the administration attempted to implement reforms, but efforts failed after Republicans took control of Congress in 1994.¹⁰⁸ The Clinton administration's challenges highlight how changing security and political environments impact the ability to make necessary course adjustments to stabilize foreign assistance efforts. Additionally, the constant call for reform impacts how effectively aid personnel are able to accomplish their work as they search for solutions to accomplish their tasks and sometimes create unanticipated burdens on the very populations they are trying to help.

K. PRESIDENT BUSH: A RETURN TO SECURITY

The September 11 terrorist attacks once again shifted the global security landscape. Nations now had to worry about nonstate organizations taking advantage of open societies. Shortly after the attacks President Bush's National Security Strategy included development efforts as a critical component to enhance the principles of democracy.¹⁰⁹

President Bush pressed for a significant increase in foreign assistance funds including \$15 billion for HIV/AIDS programs and the creation of the Millennium Challenge Account (MCA). While the MCA served as a tool to fight terrorism through poverty reduction it was also an attempt to reform the U.S. development regime. It set qualifying economic conditions and sought to enable aid recipients with an increased role in the process. It also focused on developing nations that "rule justly, invest in their people, and encourage economic freedom."¹¹⁰

Owusu argues that the MCA is not organized to maximize the alleviation of

¹⁰⁷ David Sogge, *Give & Take: What's the Matter with Foreign Aid?* (New York: Zed Books, 2002), 94.

¹⁰⁸ Nowels, "Foreign Aid Reform Commissions, Task Forces, and Initiatives: From Kennedy to the Present," 259.

¹⁰⁹ White House, "National Security Strategy of the United States of America," (Washington, D.C.: White House, 2002), 21–23.

¹¹⁰ Francis Y. Owusu, "Post-9/11 U.S. Foreign Aid, the Millennium Challenge Account, and Africa: How Many Birds Can One Stone Kill?" *Africa Today* 54, no. 1 (2007): 5.

poverty or the reduction of terrorism. By focusing on conditions, MCA funds miss potential centers of destabilization where large numbers of people live in poverty and where terrorist ideologies are more likely to prosper. He suggests that MCAs primary intentions were to initiate reforms that would reduce USAIDs influence and ability to succeed.¹¹¹

In 2006, Secretary Rice attempted to improve coordination and force a strategic focus between State Department and USAID through her “F process” initiative. Although recognized as a step in the right direction, a major weakness was that it did not bring in other government agencies that are involved in foreign assistance delivery and policymaking, nor did it take into consideration field experts.¹¹² Brainard illustrates this weakness by pointing out that 47 U.S. government organizations attempt to accomplish 50 different foreign assistance objectives.¹¹³

The sudden security change in 2001 provided the thrust for major changes in the development regime. President Bush rallied enough support to establish some reformative changes. While the MCA was given a humanitarian mission aligned with long-term security objectives, it has been unable to effectively serve individuals outside of well-governed countries. The scope of the problem remains too many organizations working on too many objectives.

L. PRESIDENT OBAMA: REFORM STILL REQUIRED

In 2009, President Obama also called for a comprehensive study examining all U.S. foreign assistance efforts in the executive branch. Secretary Clinton directed a Quadrennial Diplomacy and Development Review to be patterned after the Quadrennial Defense Review.

There are also several legislative proposals awaiting action in various

¹¹¹ Francis Y. Owusu, “Post-9/11 U.S. Foreign Aid, the Millennium Challenge Account, and Africa: How Many Birds Can One Stone Kill?” *Africa Today* 54, no. 1 (2007): 14–15.

¹¹² Susan B. Epstein and Matthew C. Weed, “Foreign Aid Reform: Studies and Recommendations,” (Washington, D.C.: Congressional Research Service, 2009), 2.

¹¹³ Lael Brainard, “Organizing U.S. Foreign Assistance to Meet Twenty-First Century Challenges,” in *Security By Other Means: Foreign Assistance, Global Poverty, and American Leadership*, ed. Lael Brainard (Washington, D.C.: Brookings Institution Press, 2007), 34.

Congressional committees. The majority of these call for the development leg of U.S. security strategy to be increasingly transparent, refocused and reorganized. Republicans, also favor reform, but emphasize that it needs to occur *before* appropriation increases, and that trade and investment should be strengthened and transparency should include NGOs who deliver much of the aid.¹¹⁴

If history is any indicator, President Obama will be unable to effect significant foreign assistance reform. Strong executive leadership and legislative cooperation are the foundations of meaningful reform efforts. Aligning security and long-term humanitarian objectives is a challenge many Presidents have failed to successfully accomplish largely due to the checks and balances provided in the Constitution.

M. CONCLUSION

This chapter argued that consistency in foreign aid efforts is the biggest obstacle to successful foreign assistance from the point of view of recipients. It examined the history of U.S. foreign assistance, what it was intended to accomplish, how programs were structured and how they evolved over time, and the key organizations used to execute policy.

The fact remains that there is no easy solution. The ideal structure from a humanitarian perspective would include an organization focused on long-term development objectives with consistent resourcing, invulnerable to changes in the security environment. Recipient nations would play a central role in planning, programming and budgeting and would increasingly provide their own resources as they work toward a self-sustaining economy.

This ideal however, is unrealistic in light of historical precedence. First, the security environment remains the key driver in the way foreign assistance is delivered and resources are made available. Second, the principal-agent problem remains. Political leaders are accountable to the American people first and foremost, so unless the people become convinced that long-term humanitarian objectives support American interests,

¹¹⁴ Susan B. Epstein, "Foreign Aid Reform, National Strategy, and the Quadrennial Review," (Washington, D.C.: Congressional Research Service, 2010), 6–12.

there will be funding challenges. Third, budgets rise and fall due to numerous factors. It is difficult to maintain consistent funding in a program that does not have an immediate security result.

Fourth, the popularity of multilateral institutions and NGOs also seem to rise and fall. These also are susceptible to U.S. policies and budgets. Private NGOs that receive little or no funding from the government may be the most appropriate organizations to remain focused on long-term humanitarian objectives. Their resources and capacity however are generally only a fraction of those controlled by the government.

Finally, although recipient nations may be given a greater role in determining foreign assistance objectives that impact them, accountability ultimately runs through the American people. Foreign leaders can find themselves in the difficult position of appealing to both their citizens and the American people.

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III. COMPARING FOREIGN HIGHER EDUCATION ASSISTANCE PROGRAMS

This chapter sets the stage for the case comparisons by examining the evaluation of key parameters that impact the effectiveness of foreign assistance in greater detail. Since the U.S. foreign assistance system is not tailored to maximize long-term development in recipient countries there will be struggles to maintain consistently generous funding levels. In light of this, the United States should include an exit strategy that is sustainable for recipients, minimizes resource fluctuations and leverages their ability to control any outcome.

There are four planning considerations that can improve the chances for a sustainable and consistent foreign assistance program. First, focus on *recipient objectives*. Second, provide *stable funding*. Third, work toward a *self-sustaining program*. Fourth, *minimize dependency* on U.S. appropriations or NGO donations.

A. RECIPIENT OBJECTIVES

The history of U.S. foreign aid shows that although humanitarian rhetoric offers short-term motivation, it needs to be clearly aligned with a strong U.S objective.¹¹⁵ One of the arguments against foreign developmental assistance is that by focusing on U.S. strategic interests, recipient needs are largely ignored.¹¹⁶ To strengthen recipient causes, planning systems should consider U.S. and recipient objectives equally during needs assessments. The ideal process is similar to a contract in which a customer clearly defines requirements. While recipients should not be able to make unrealistic demands, their inputs are critical to the long-term success of any operation. An accurate assessment of problems will enhance the likelihood that solutions will be meaningful for both parties.¹¹⁷

Similar to technical cooperation initiatives of the past, recipient communities are

¹¹⁵ Brainard, “A Unified Framework for U.S. Foreign Assistance,” 24.

¹¹⁶ Sundberg and Gelb, “Making Aid Work,” 14–17.

¹¹⁷ Brainard, “A Unified Framework for U.S. Foreign Assistance,” 6.

less inclined to criticize programs that offer assistance.¹¹⁸ Without a structure that establishes and protects their inputs, recipients can easily be pushed aside while donors lead and pursue milestones that are attractive to their constituencies and that satisfy donor needs.

By strengthening relationships and providing a forum for clear communication, the United States can curb future problems created by mistrust and miscommunication. When recipient objectives are at the forefront of planning, policymakers reduce the impact of inconsistent delivery and increase trust levels that can pay dividends in increased trust and security. In the end, recipients define success, and therefore, they should have a larger role in defining the problem.

B. STABLE FUNDING

Stable funding consists of two elements. First, donor government obligations are relatively low. Second, funds are leveraged with commitments from other sources.

The term “relatively low” is difficult to define. Planners seeking to improve the likelihood of securing funds are dependent upon the political appropriations process. This process has many variables that create differing levels of political difficulty. For the purposes of this paper, a low-cost program is one that can easily fit into an existing executive branch program. Low-cost solutions will vary by program and perceived value, but in general this will minimize the level of scrutiny that would be given to other more expensive programs.

Leveraging resources by partnering with other institutions provides another venue to enhance funding stability. Partnerships not only provide additional resource options, but also strengthen institutional capacity. In the modern aid environment, strong connections increase access to government appropriations and private donations. During times of political scrutiny and challenges, these relationships create avenues for preservation of ongoing aid efforts, enabling key programs to be sustained.

¹¹⁸ Channing Arndt, “Technical Co-operation,” in *Foreign Aid and Development : Lessons Learnt and Directions for the Future*, ed. Finn Tarp and Peter Hjertholm (London: Routledge Press, 2000), 164–66.

U.S. support for micro-finance programs is one example that illustrates broad funding stability. First, it easily fits into existing foreign assistance appropriations. The 2011 budget request for all foreign assistance programs was \$36.4 billion. Of that, micro-financing falls under the “Economic Growth” category, which received more than \$5.5 billion to meet eight objectives. Of these, micro-financing received \$279 million and ranks sixth.¹¹⁹ Additionally, USAID has partnered with Sweden and Japan in providing joint insurance for selected micro-finance programs. It also partners with NGOs such as the Rockefeller and Gates foundations to fund for selected projects.¹²⁰

C. SELF-SUSTAINING PROGRAMS

The most disastrous problem facing program consistency is the lack of incentives for self-sustaining entrepreneurial activities. The variables for economic growth can be found within the formula used to calculate the Gross Domestic Product (GDP). GDP is comprised of Consumer spending (C) plus Investment (I) plus Government spending (G) plus Exports (X) minus Imports (M) or: $GDP = C + I + G + (X-M)$.

Most U.S. economic growth comes through private sector consumer spending. In an aid-dependent country, overall GDP may be an illusion since it is often largely driven by government or aid agency transfers, which can inadvertently discourage private production in the recipient country. One solution to this problem is to provide entrepreneurial incentives with the goal of ultimately generating tax revenues from successful ventures.

Samli suggests that a strong entrepreneurial class is what many developing countries are missing. Although cultures and geographical regions differ, entrepreneurs are important for change to occur. They assist development by serving as risk-takers, finding innovative, quick and local solutions to market gaps, and by creating jobs.¹²¹

He divides development into “exogenous” and “endogenous” efforts. Exogenous

¹¹⁹ United States Department of State, “Congressional Budget Justification Foreign Operations Vol. 2,” (Washington, D.C.2010), 320–21 and 31.

¹²⁰ Ibid., 76.

¹²¹ A. Coskun Samli, *International Entrepreneurship: Innovative Solutions for a Fragile Planet* (New York: Springer, 2009), xxviii–xxix.

assistance includes many of the current efforts attempted by the foreign assistance regime. These are well intentioned “top-driven” efforts where local conditions are not appropriately accounted for. Endogenous assistance is considered a “bottom-up” approach driven by entrepreneurs.¹²² Exogenous efforts are driven by large institutions and can impact a wider swath of the population, but they have created problems for local populations.

D. MINIMIZE DEPENDENCY

Effective foreign assistance also removes incentives for dependency. Some of the most vexing aid challenges are associated with dependency. Due to its economic size, the United States must be careful how it exercises its influence. Policymakers should carefully evaluate the ways that dependency can harm developing countries. Foreign aid can create or add to political corruption, supplant domestic savings, create revenue or institutional dependency, and undermine incentives for entrepreneurship.

Government leaders with access to tremendous amounts of money are often tempted to pursue personal interests at the expense of their public responsibility. Some claim that corrupt leaders skim \$1 trillion off the world economy each year.¹²³ Donors sometime use NGOs to sidestep corrupt governments in aid delivery but this has been criticized due to the perceived undermining of authority.¹²⁴

One of the early arguments for foreign aid was that it could increase domestic savings that would serve as future investment. Theoretically, aid would serve to meet immediate needs thereby freeing up resources for savings. Research in 2001 validated a 1972 claim that foreign assistance works to “supplant, not support, domestic savings.”¹²⁵ In effect, dependency on aid revenue is reflected in higher consumption levels creating a situation where a reduction in aid would mean more saving and investment.

¹²² Samli, *International Entrepreneurship: Innovative Solutions for a Fragile Planet*, xxv–xxvi.

¹²³ Augustine Nwabuzor, “Corruption and Development: New Initiatives in Economic Openness and Strengthened Rule of Law,” *Journal of Business Ethics* 59, no. 1–2 (2005): 121–38.

¹²⁴ Franz Nuscheler, “Parliaments in Sub-Sahara Africa,” *Zeitschrift fur Parlamentsfragen* 38, no. 4 (2007): 842–56.

¹²⁵ Jean-David Larson, “An Updated Analysis of Weisskopf’s Savings-Dependency Theory,” *Review of Development Economics* 5, no. 1 (2001): 157–67.

When aid is a significant portion of a country's GDP, revenue dependency can be momentous. For example, Liberia's aid revenues in 2008 were 185 percent of its GDP. Aid to Afghanistan and Burundi were also both over 40 percent of their respective GDPs.¹²⁶ Should "donor fatigue" occur such that aid is reduced or removed, countries dependent on aid are left with tremendous challenges.

Institutional weakness is another side effect. For the recipient, foreign aid agencies transfer large amounts of money into the country. People obtaining direct access to these agencies can inadvertently subvert local authority. As citizens see well-connected aid recipients and/or government officials that receive special privileges, government legitimacy may be questioned.

Another unintended consequence of aid organizations operating within a country is the risk that institutions are weakened by competition for qualified labor. Individuals will pursue employment in organizations that offer the greatest incentives. When aid organizations offer better pay and benefits than private or public institutions, it can result in an internal brain drain, reducing capacity within the recipient country. This type of institutional dependency goes both ways—recipients need the aid, but donor agencies become dependent on the problems of the recipient in order to preserve their sponsors goodwill and maintain their operations.

Conditionality often serves to worsen these relationships as donors tie recipients with well-meaning, but often unrealistic terms. In 1992, Ghana provided significant pay raises to military and civil servants. While this was designed to build institutional capacity, it was a violation of World Bank aid terms. As a result, aid was withheld until the next year, which caused problems for Ghana and its donors.¹²⁷

Possible unintended consequences are best evaluated through a system designed to enhance cooperation. In the end, preventing dependency is easier than overcoming it.

¹²⁶ Data on World Bank website: "Net ODA received (% of GNI)," World Bank, <http://data.worldbank.org/indicator/DT.ODA.ODAT.GN.ZS> (accessed 6/12/2010).

¹²⁷ Kanbur, "Aid, Conditionality and Debt in Africa," 414–15.

E. MICRO-FINANCING

Micro-finance provides a model that illustrates how foreign assistance can develop stability for recipients and an exit strategy for donors. Since 1976, micro-credit has brought hope to millions and has become the poster child for endogenous entrepreneurial development. Conceptually, it provides capital for individuals who then generate revenue and create jobs. Therefore it is an attractive option for stimulating entrepreneurial activity, especially in post-conflict areas with large informal economies.

Allowing micro-credit to operate in an informal economy can serve as a precursor toward a more formal economy. In cases where “development from above” is slow to respond, it adds to local stability.¹²⁸ In terms of dependency, most micro-lending institutions still require subsidies to stay in business.¹²⁹ In sub-Saharan Africa these institutions deal with high costs, high lending rates and low (if any) profits. Despite this, micro-finance is expanding.¹³⁰ While private investment is required to continue meeting expanding demands, socially driven NGOs are best situated to cover the gap.¹³¹ Despite these challenges, micro-finance continues to serve as a source of entrepreneurial activity. Entrepreneurs assume risk, which means the most innovative will survive. Calls for micro-lending institutions to innovate or go out of business also symbolize the essence of entrepreneurship.¹³² On the one hand, there is an increase in small-scale entrepreneurs; on the other, there is the potential for minimal levels of dependency. While world poverty may not be eliminated, many people have opportunities previously unavailable to them due to micro-credit.¹³³

¹²⁸ United States Institute of Peace and Peacekeeping and Stability Operations Institute, *Guiding Principles for Stabilization and Reconstruction* (Washington, DC: United States Institute of Peace, 2009), 145; Rajdeep Sengupta and Craig P. Aubuchon, “The Microfinance Revolution: An Overview,” *Federal Reserve Bank of St. Louis Review* 90, no. 1 (2008).

¹²⁹ Robert Cull, Asli Demirguc-Kunt, and Jonathan Morduch, “Microfinance Meets the Market,” *Journal of Economic Perspectives* 23, no. 1 (2009): 167–92.

¹³⁰ Jakob Christensen, Anne-Marie Gulde, and Catherine Pattillo, “Bankable Assets,” *IMF Finance & Development* 43, no. 4 (2006).

¹³¹ Cull, Demirguc-Kunt, and Morduch, “Microfinance Meets the Market,” 167–92.

¹³² Teresa Maru, “Warning to Microfinance Institutions in Africa: Innovate or Die,” *Enterprise Development and Microfinance* 20, no. 4 (2009): 258.

¹³³ Sengupta and Aubuchon, “The Microfinance Revolution: An Overview,” 9–30.

F. HIGHER EDUCATION

Many higher education programs can be modeled after micro-finance initiatives. As higher education boosts human capital, wages and productivity, entrepreneurial momentum strengthens the private sector and any move toward free markets. It also serves to balance endogenous and institutional capacity in developing countries, which are important for long-term economic stability.¹³⁴ Education capacity and complementary public policy can stimulate endogenous economic development. Given a friendly business climate, even a small number of educated citizens create opportunities that raise living standards and generate skilled employment to “refine, produce, market and distribute their resulting products and services.”¹³⁵

Higher education does not guarantee employment and it can create additional problems without proper planning. Some countries, such as Zambia, experience high levels of postgraduate unemployment for many of its youth.¹³⁶ Many developing countries have severe problems with brain drain resulting from higher education opportunities. This occurs as highly skilled individuals leave the country seeking greater opportunities. While there may be positive consequences as currency flows back into the country as remittances, most view the lost human capital, savings and tax revenues as economic burdens that are difficult to overcome.¹³⁷

These problems illustrate the critical requirement to focus on recipient needs. Cooperative strategic planning can create a program that meets recipient requirements. For example, Greek youth with degrees that benefit the private sector have a lower rate of unemployment than their counterparts.¹³⁸ Meanwhile, although entrepreneurship is

¹³⁴ Samli, *International Entrepreneurship: Innovative Solutions for a Fragile Planet*, xxv–xxvi.

¹³⁵ Zoltan J. Acs and Roger R. Stough, *Public Policy in an Entrepreneurial Economy: Creating the Conditions for Business Growth*, ed. Zoltan J. Acs and David B. Audretsch, vol. 1st, *International Studies in Entrepreneurship* (New York: Springer, 2008), 11.

¹³⁶ Cholwe, “Exploring Youth Unemployment in a Re-structured African Economy: The Case of Zambia’s University Graduates,” abstract.

¹³⁷ K. Wong, “Brain Drain.” In *The Princeton Encyclopedia of the World Economy*, (Princeton, NJ: Princeton University Press, 2009), 131–33.

¹³⁸ Ilias Livanos, “The Relationship between Higher Education and Labour Market in Greece: the Weakest Link?” *Higher Education* 60, no. 5 (2010): 473.

viewed as the solution to high unemployment in Poland, very few individuals have the necessary aptitude or skills to be a successful entrepreneur. As a result, Powlowska argues that the Polish higher education community should be used to develop entrepreneurial skillsets.¹³⁹

G. CONCLUSION

Due to their interaction with entrepreneurs and the public sector, micro-financing and higher education programs offer an opportunity to evaluate the four key planning considerations. When compared to other programs they serve as models that can illustrate a workable exit strategy for foreign assistance programs. While recipient engagement varies, they provide relatively low-cost solutions that can encourage entrepreneurship while minimizing dependency.

Due to the large amount of available research on micro-finance and the growing number of people receiving a basic education, this study focuses on higher education programs. As developing countries benefit from higher numbers of primary school graduates, the demand for higher education will significantly increase. Many students will be first generation graduates with high expectations. An absence of strategic planning may result not only in disappointment for individuals who lack employable skills, but also in heightened security challenges for weak governments. Alternatively, careful planning might anticipate needs that will empower more citizens and increase stability in the developing world. Self-sustaining higher education programs will enable recipient governments to continue programs they consider beneficial. This research attempts to add to the conversation on how an appropriate U.S. exit strategy can add to regional stability and increase trust between countries.

¹³⁹ Anna Pawlowska, Agnieszka Kacprzak, and Adam Strzelecki, "To Be or Not to Be . . . An Entrepreneur? The Analysis of Polish Students' Entrepreneurial Predispositions," *Transformations in Business and Economics* 9, no. 1 (2010): abstract.

IV. FORD FOUNDATION: NONRELIGIOUS PRIVATE ASSISTANCE

A. BACKGROUND AND PURPOSE

The Ford Foundation was established in 1936 by Henry Ford's son. The foundation has provided almost \$10 billion to various groups and organizations that aim to protect the environment, establish peace, and promote welfare. Its efforts began with a local focus primarily in the Michigan area, but in 1951 under the leadership of former ECA administrator Paul Hoffman it expanded to serve international development struggles. The Ford Foundation currently has nearly \$11 billion in assets to meet its socially targeted agenda.¹⁴⁰

The Ford Foundation has a generous history supporting higher education. Since 1950, it has provided postgraduate education for more than 30,000 students from 70 countries.¹⁴¹ This tradition continued as the Ford Foundation International Fellowship Program (IFP) was created in December 2000 to provide higher education to disadvantaged minorities in developing countries.¹⁴²

By addressing social deficiencies on the development front, IFP serves to stimulate endogenous development by strengthening leadership capacity in areas that seem to lack representation. By removing barriers to opportunity, internal development is more likely to succeed. The cornerstone concept to IFPs strategy is that a native leader entrenched in local development issues will generate more appropriate solutions for the most pressing needs.

¹⁴⁰ FundingUniverse, "The Ford Foundation," <http://www.fundinguniverse.com/company-histories/The-Ford-Foundation-Company-History.html> (accessed 12/2/2010).

¹⁴¹ Mary Zurbuchen, "The Question of 'Disadvantage'," in *Origins, Journeys and Returns: Social Justice in International Higher Education*, ed. Toby Alice Volkman, Joan Dassin, and Mary Sabina Zurbuchen (New York: Social Science Research Council, 2009), 38.

¹⁴² Burton Bollag, "Ford Foundation Creates Global Fellowship Program," *The Chronicle of Higher Education* 47, no. 15 (2000): A47.

1. Problem

IFP argues that disadvantaged social groups in developing countries have not had opportunities to develop leaders to address the many economic capacity shortages they face. Higher education scholarship programs have generally been used to develop national leaders, but they tend to ignore people from less privileged or popular groups.¹⁴³ By ignoring these groups development gaps occur that prevent institutional capacity from reaching areas with high levels of development challenges.

The Ford Foundation recognized that a broad-based universal definition of social injustice could have negative side effects and would likely undermine overall program success. They wanted to address the disadvantages that many groups faced, but recognized a small office staff geographically separated from developing countries would be unable to understand the specific development needs in each of the regions it served.

The details of discrimination vary by country and region. In Nigeria, for example, nearly 54 percent of the population resides in the north, but 85 percent of Nigerian university students are from the south. This disparity is the result of a higher education system originating from British Christian missionaries. The north, which is largely Islamic, views much of the Nigerian university system as an extension of Christian values.¹⁴⁴

Due to the engrained societal expectations from more than 2,000 years of the caste system, India faces an almost overwhelming challenge. In this unique system, only 5 percent are considered “mainstream” after accounting for various tribal, religious, oppressed, and linguistic minorities.¹⁴⁵

Since the mid-1990s, Brazil has debated how to deal with racial discrepancies in

¹⁴³ Bollag, “Ford Foundation Creates Global Fellowship Program.”

¹⁴⁴ Wilson Akpan and Akinyinka Akinyoade, “Nigeria: Higher Education and the Challenge of Access,” in *Origins, Journeys and Returns: Social Justice in International Higher Education*, ed. Toby Alice Volkman, Joan Dassin, and Mary Sabina Zurbuchen (New York: Social Science Research Council, 2009), 92.

¹⁴⁵ Ganesh Devy, “India: Layered Inequalities,” in *Origins, Journeys and Returns: Social Justice in International Higher Education*, ed. Toby Alice Volkman, Joan Dassin, and Mary Sabina Zurbuchen (New York: Social Science Research Council, 2009), 178.

higher education. Politicians attempted to address opportunity gaps between rich and poor, which were largely divided along racial lines. In 2000 slightly more than 0.5 percent of the Brazilian native population was attending postgraduate school, compared to more than 10 percent of Brazil's white population. In 2001, President Lula's administration participated in the World Conference against Racism and determined to utilize higher education as a tool to narrow the gap. Since that time, much of Brazil's higher education community has adopted affirmative action policies to assist the country's black and indigenous populations.¹⁴⁶

Although regional specifics differ widely, women and rural minorities are generally underrepresented in all regions. Other common factors that contribute to discrimination include low levels of education, high levels of poverty, ethnicity and physical disability.¹⁴⁷

Many marginalized groups inherently distrust outside efforts for assistance. Due to historical mistreatment and abuses their defenses often lead them to perceive many programs as unfair. Additionally, many hesitate to participate in a program because they view minority efforts as unfruitful.¹⁴⁸ For example, Muslims in India are heavily underrepresented in public service institutions. Although a democracy such as India attempts to overcome discrimination, Muslims are hesitant to apply for such jobs because of perceived favoritism.¹⁴⁹ Any program attempting to serve disadvantaged groups must address negative perceptions through fairness and transparency.

Targeting marginalized groups is one challenge, but identifying qualified individuals adds another dimension. IFP needed to provide selection criteria, which balanced the social disadvantages with individual initiative. Although social status narrows the field of potential participants, IFP aimed to find the right people within those

¹⁴⁶ Valter Silverio, "Brazil: Excluded Groups in Higher Education" in *Origins, Journeys and Returns: Social Justice in International Higher Education*, ed. Toby Alice Volkman, Joan Dassin, and Mary Sabina Zurbuchen (New York: Social Science Research Council, 2009), 146.

¹⁴⁷ Joan Dassin, "Higher Education as a Vehicle for Social Justice: Possibilities and Constraints," in *Origins, Journeys and Returns: Social Justice in International Higher Education*, ed. Toby Alice Volkman, Joan Dassin, and Mary Sabina Zurbuchen (New York: Social Science Research Council, 2009), 29.

¹⁴⁸ Zurbuchen, "The Question of 'Disadvantage'," 55.

¹⁴⁹ Devy, "India: Layered Inequalities," 182.

groups. The Ford Foundation saw its role as “nurturing social justice leadership.”¹⁵⁰ In this sense, it was not looking to build leaders, but to give existing leaders additional tools provided through higher education.

Individual selection therefore focused on finding leaders committed to social development. One obvious measurement for IFP participants was academic background. By definition, a postgraduate education required previous academic performance. Since education already separates the fortunate from the less fortunate, the challenge was finding successful individuals appropriately committed to causes that would enhance development.¹⁵¹ IFP sought individuals from targeted groups who had sufficient academic background, and had demonstrated leadership and commitment to development.

Another problem facing institutions offering higher education to individuals from developing countries is the “brain drain” of highly educated people. There is considerable debate over whether such a resource drain is harmful to an economy. Some argue that globalization provides expatriates greater opportunity to fill labor gaps in developed countries while sending money back to family and friends in a developing country. Others argue that the missing skillsets from developing countries keep developing countries short on necessary human capital.¹⁵² For an organization attempting to “nurture” development leaders, it is imperative to create incentives for the best and brightest to return to their country of origin.

Return rates vary by country and profession. For example, only 25 percent of electrical engineering PhD students leave the United States following graduation, and

¹⁵⁰ Toby Volkman, “Acknowledgments,” in *Origins, Journeys and Returns : Social Justice in International Higher Education*, ed. Toby Alice Volkman, Joan Dassin, and Mary Sabina Zurbuchen (New York: Social Science Research Council, 2009), 9.

¹⁵¹ Zurbuchen, “The Question of ‘Disadvantage’,” 47.

¹⁵² Wong, “Brain Drain,” 131.

20 percent of Jamaican medical doctor graduates return to Jamaica. These are viewed as missed opportunities and a loss of resources from a developing country as these highly qualified individuals are not present to provide stability and revenues to a region in need.¹⁵³

Education also requires competent communication skills. Most fellowship programs require a minimal level of English or at least a second language. Lack of access to these languages serves as a barrier, which any program targeting marginalized groups needs to address.¹⁵⁴ Any scholarship opportunity must offer one of three options. The first would be to offer a program in the local area where language is not a challenge. The second would assume that applicants already speak English or another common language. The third would prepare students with sufficient language proficiency. Many developing countries do not have sufficient university capacity. To require standard English proficiency levels or another language would significantly narrow the pool of applicants and work against the desired perception of fairness.

The opportunity for international study adds a cultural challenge to the desired program. While this element provides unique obstacles for any fellowship, those coming from disadvantaged backgrounds may face additional problems. As a community leader, their departure may be viewed negatively by those within their community. Projects they had been working on may lose momentum as leadership adjusts. There may also be very high expectations from community members and themselves. While this is a positive statement on their leadership ability, they will likely find themselves in an environment where they are not comfortable and where their measured performance may be below their personal expectations. The transition from a community leader to a student may also be challenging psychologically and difficult to overcome.¹⁵⁵ As they return home, they may perceive themselves inadequate and there will be challenges of re-integrating into the culture they left. Exposure to a culture with opportunities for personal gain may enhance the temptation to remain and pursue those opportunities.

¹⁵³ Dassin, "Higher Education as a Vehicle for Social Justice: Possibilities and Constraints," 27.

¹⁵⁴ Zurbuchen, "The Question of 'Disadvantage'," 56.

¹⁵⁵ Volkman, "Journeys: The International Experience," 202.

2. Solution

In the late 1990s, the Ford Foundation had benefitted from higher than average market returns and wanted to make a significant statement related to the higher education challenge.¹⁵⁶ Their solution was a tailor made program designed to provide a Master's or Doctorate degree for 350 students per year for 10 years.¹⁵⁷ They initially provided a \$330 million endowment that was to be managed by IEE and executed locally by the twenty-two international partners in targeted countries. In 2006, the program was extended to 2013 with an additional \$75 million donation aimed at providing postgraduate education for another 800 individuals.¹⁵⁸

IFP argues that three primary features make it a unique fellowship experience. First, it has a “decentralized operational structure,” which uses a central staff and local partners in each country to execute the program. Second, it has a flexible approach designed to enable motivated individuals within disadvantaged groups to succeed. Third, it targets leaders who can influence socially disadvantaged communities.¹⁵⁹

3. Organizational Structure and Flexibility

The decentralized operating structure seeks to take advantage of existing educational expertise on global and local levels. This model enables the Ford Foundation to provide financing and general oversight and to take advantage of existing capacity to protect its broad socially based objectives.

On the global level, IFP contracted program administration to the Institute of International Education (IIE) and established a small office in their New York headquarters.¹⁶⁰ IIE provides expertise and networking opportunities for the international

¹⁵⁶ Zurbuchen, “The Question of ‘Disadvantage’,” 39.

¹⁵⁷ Bollag, “Ford Foundation Creates Global Fellowship Program.”

¹⁵⁸ Origin, Journeys, Returns, 4.

¹⁵⁹ Zurbuchen, “The Question of ‘Disadvantage’,” 40–44.

¹⁶⁰ StudyPortals B.V. and Academic Cooperation Association, “ScholarshipPortal.eu International Fellowship Fund,” www.scholarshipportal.eu/students/browse/provider/127/international-fellowship-fund.html (accessed 12/2/2010).

higher education community as well as access to many large scholarship and endowment programs such as the U.S. State Department sponsored Fulbright scholarship.¹⁶¹

Eight staff members, led by the Executive Director, oversee the daily global operations of the program, coordinate with the fund's Board of Directors, the finance and program advisory committees as well as the twenty-two international partners.¹⁶² They also provide general guidance and ensure that local decisions are consistent with program objectives.¹⁶³

At the local level, twenty-two countries were selected for program participation, largely based on existing Ford Foundation offices.¹⁶⁴ In order to provide local influence, organizations with higher education expertise were selected to apply the program in each country. Local IPs are responsible to recruit, select and support participants throughout all stages of the program. Many of these international partners (IP) are nonprofit or research organizations with an established country presence.¹⁶⁵ In many cases IPs coordinate and work together to implement regional-specific aspects of the program. For example, the Association of African Universities in Ghana serves as the main coordinating body for West Africa as well as Ghana's expert, while Pathfinder International and West African Research Center provide country specific inputs for Nigeria and Senegal.¹⁶⁶

Additionally, IFP has teamed up with more than five hundred universities to advance the unique aspects of their fellowship.¹⁶⁷ These relationships allowed doors to

¹⁶¹ Institute of International Education, "Fellowship and Scholarship Management," <http://www.iie.org/en/What-We-Do/Fellowship-And-Scholarship-Management> (accessed 12/2/2010).

¹⁶² "International Partners", International Fellowship Fund, <http://www.fordifp.org/AboutIFP/InternationalPartners/tabid/65/language/en-US/Default.aspx> (accessed 6/18/2010).

¹⁶³ Zurbuchen, "The Question of 'Disadvantage'," 58.

¹⁶⁴ *Ibid.*, 48.

¹⁶⁵ *Ibid.*, 41.

¹⁶⁶ Association of African Universities, "Renewing and Networking African Higher Education Institutions to Meet Local and Regional Challenges," <http://www.aau.org/sites/default/files/cp2009-131.pdf> (accessed 12/2/2010), 21.

¹⁶⁷ Volkman, Dassin, and Zurbuchen, "Beyond Measure: Fellowships and Social Justice," 253.

open, which had not previously been available. For example, IFP worked with several institutions to adjust entrance requirements while maintaining high quality graduation requirements.¹⁶⁸

4. Targeting Disadvantaged Groups and Individuals

IFP demonstrated flexibility as it avoided a narrow definition of marginalized groups among the twenty-two participating countries. This approach encouraged a significant amount of interaction and discussion for IPs. Following a variety of inputs from IPs, the global staff shaped broad parameters that were common across all regions. These parameters included economic and social factors such as employment, income and poverty, geographic location, family education history, as well as group and political identity.¹⁶⁹ This allowed IPs to define and evaluate disadvantaged groups found in each country, maintain local flexibility to qualitatively measure unique circumstances and provide global transparency.¹⁷⁰

A disadvantaged background serves only as a prerequisite to program selection. IPs look for individuals within target groups that have an appropriate blend of personal initiative, leadership and commitment to improve their communities.¹⁷¹ Each individual is evaluated on four specific criteria, which allow local selection committees to identify a “personal trajectory” for each applicant to anticipate program completion followed by a likely return to their community.¹⁷²

First, social marginalization is weighted into an individual score.¹⁷³ Although two individuals may come from a minority group, each will have unique experiences. This indicator is an attempt to evaluate the specific challenges that each person has overcome. The foundation discovered early that methods to measure target group

¹⁶⁸ Volkman, “Journeys: The International Experience,” 206.

¹⁶⁹ Zurbuchen, “The Question of ‘Disadvantage’,” 46.

¹⁷⁰ *Ibid.*, 37, 55.

¹⁷¹ Dassin, “Higher Education as a Vehicle for Social Justice: Possibilities and Constraints,” 30.

¹⁷² Zurbuchen, “The Question of ‘Disadvantage’,” 47.

¹⁷³ *Ibid.*, 46.

membership are necessary. In Mexico, the application included a personal statement declaring ethnicity and ability to speak the native language along with signatures from group leaders and selection committee interviews.¹⁷⁴

Second, applicants are evaluated academically. In the IFP, academic performance is atypical when compared to other fellowships. While most programs require strong and recent academic performance, as well as a high level of foreign language proficiency, IFP shies away from these requirements. Of the four acceptance parameters, academic performance carried the lowest relative weight due to the program's overall objectives.¹⁷⁵ In fact, the only reason individuals are evaluated academically is because an undergraduate degree is a universal requirement for any reputable postgraduate program. Managers in Vietnam learned the value of including minimum academic standards when many of their initially desired selectees were unable to meet even reduced admission requirements in a university postgraduate program.¹⁷⁶

IFPs flexibility and partnerships enabled this minimal standard to take hold. They were able to eliminate age and recent college attendance requirements. This opened doors for people from all walks of life and especially development leaders. This brought its own set of challenges as many possible applicants had been away from school for several years and had established professions and families. While this allowed many nontraditional applicants to participate, it also eliminated many who saw greater opportunity costs than potential rewards from completing the program. University and local IPs created an environment of support so as to almost guarantee academic success. They worked to provide lower entrance requirements while providing up to one year of preparatory training in language, computer and academic assistance.¹⁷⁷

IFP also allowed participants to choose from a range of degree options, which

¹⁷⁴ David Navarrete and Anabella Acevedo, "Mexico and Guatemala: Multiple Faces of Marginalization," in *Origins, Journeys and Returns: Social Justice in International Higher Education*, ed. Toby Alice Volkman, Joan Dassin, and Mary Sabina Zurbuchen (New York: Social Science Research Council, 2009), 130.

¹⁷⁵ Zurbuchen, "The Question of 'Disadvantage'," 46.

¹⁷⁶ Zurbuchen, "Vietnam: Creating Favorable Conditions," 165.

¹⁷⁷ Ibid.

aligned with Ford Foundation's social agenda.¹⁷⁸ There were seven areas that fellows pursued with 29 percent choosing a degree in "Environment, Health and Applied Sciences." Other degrees in order of popularity are: "Education and Communications" (17 percent), "Law, Governance and Human Rights" (15 percent), "Social Sciences" (15 percent), "Development Studies" (10 percent), "Arts and Humanities" (9 percent), and "Economics and Business Administration" (5 percent).¹⁷⁹ Although there were regional disparities, roughly 80 percent of participants pursued the three year Master's track.¹⁸⁰

Participants crafted not only their personal degree plans, but they also chose the university and location for their experience. This was critical for leaders with personal considerations such as family responsibilities. If participants were not confident in their language abilities or had other concerns, they were able to select a program in their region that minimized the cultural obstacles. Nearly 35 percent chose to remain in their home countries while slightly over 50 percent chose an English speaking experience in the United States, Canada or the United Kingdom.¹⁸¹

The third selection parameter is an individual commitment to a pertinent social cause.¹⁸² Local factors played a critical role in determining the causes in each country. In many situations, this endeavor required proactive recruiting techniques beyond standard marketing. A proper mix of community marketing, presentations and personal interviews assisted selection committees in their quest to find the right people. Identifying personal drive is important in identifying and recruiting individuals with a passion to return home and apply the knowledge they obtain.

Fourth, leadership ability and potential were evaluated to determine anticipated

¹⁷⁸ Zurbuchen, "The Question of 'Disadvantage'," 59.

¹⁷⁹ "Ford Foundation International Fellowship Program Overview," International Fellowship Fund, <http://www.fordifp.org/LinkClick.aspx?fileticket=fcaPRKSjPEo%3d&tabid=55&language=en-US> (accessed 12/2/2010).

¹⁸⁰ Dassin, "'Return' and 'Returns': Brain Drain and the Path Back Home," 235.

¹⁸¹ "Ford Foundation International Fellowship Program Overview."

¹⁸² Zurbuchen, "The Question of 'Disadvantage'," 46.

program impact.¹⁸³ Finding the right balance between the third and fourth criterion was important in choosing the right people. Leadership ability serves to magnify the passion and effectiveness for a development cause. Since IFP was created to assist the socially disadvantaged, it became important to avoid people with a “victim culture” mentality. In South Africa, for example, this was measured through “initiative, persistence and tenacity” in overcoming personal situations that placed them at a disadvantage.¹⁸⁴

Recruitment was much more than identifying capable participants; trust building with entire communities and other NGOs was also important. Due to the perceived elitism in higher education, many marginalized groups were hesitant to participate or believed that programs advertising equal opportunity rarely achieve their stated claims. Marketing requires much more than conventional means provided through the media, it requires personal interactions, discussions and trust building activities to convince communities that the program is fair and transparent.¹⁸⁵ Most importantly, the program must be executed in a manner consistent with stated objectives.

By addressing social injustice, IFP needed to maintain the perception of fairness and equity. For this reason, transparency throughout the decision-making process was a constant concern. To address critical problems and maintain transparency, the IFP model not only seeks to use local partnerships to identify disadvantaged groups, appropriately recruit and select the right individuals, but to also provide sufficient support before, during and after graduation.¹⁸⁶

One of the early critiques against the IFP was that these students would not be able to succeed in a rigorous academic environment due to lowered entrance standards.¹⁸⁷

¹⁸³ Zurbuchen, “The Question of ‘Disadvantage’,” 46.

¹⁸⁴ Shireen Hassim, “South Africa: Justice and Disadvantage in a New Democracy,” in *Origins, Journeys and Returns: Social Justice in International Higher Education*, ed. Toby Alice Volkman, Joan Dassin, and Mary Sabina Zurbuchen (New York: Social Science Research Council, 2009), 77.

¹⁸⁵ Zurbuchen, “The Question of ‘Disadvantage’,” 55.

¹⁸⁶ “The IFP Model,” International Fellowship Fund, <http://www.fordifp.org/AboutIFP/TheIFPModel/tabid/63/language/en-US/Default.aspx> (accessed 12/2/2010).

¹⁸⁷ Navarrete and Acevedo, “Mexico and Guatemala: Multiple Faces of Marginalization,” 133 and 250–52.

Two aspects of the program were central to its nearly 90 percent graduation rate.¹⁸⁸ First, previously mentioned program filters targeted motivated individuals who had demonstrated previous academic success. Second, the fellowship was structured with a support system designed to assist students throughout their IFP experience.

IFP did everything it could to ensure success for individual fellows. Following acceptance into the program, “fellows-select” were provided significant preparation opportunities in meeting language, academic research and computer skill requirements. Additionally, since university admission was not an IFP prerequisite, IPs worked with many participants on their application process while university partnerships were established to enable “conditional admissions” for participants.¹⁸⁹

These preparations and relationships secured admission for nearly all participants.¹⁹⁰ After they begin their education, IPs, universities and other institutions such as the East-West Center in Hawaii work to support students in their courses of study and with cultural challenges they may face.¹⁹¹ Most of the fellows have not previously left their home country and therefore culture shock is common. Many fellows require continued language assistance and ongoing academic counseling to succeed in the program.¹⁹² While this can be a challenge, time is built into program plans for these supporting aspects. As they graduate, they continue to receive support through their university and IP relationships along with other alumni. These networking and support opportunities serve to assist them when they return to their homes, along with employment counseling and general personal interaction.¹⁹³

188 “Ford Foundation International Fellowship Program Overview.”

189 Volkman, Dassin, and Zurbuchen, “Beyond Measure: Fellowships and Social Justice,” 252 and 56.

190 *Ibid.*, 252.

191 Volkman, “Journeys: The International Experience,” 208–12.

192 *Ibid.*, 201–07.

193 *Ibid.*, 222–23.

B. EVALUATING PLANNING CONSIDERATIONS

This section will analyze possible policy implications of the IFP becoming a government funded foreign assistance program. As previously mentioned, foreign assistance planners may minimize program fluctuations by remaining focused on recipient objectives, providing stable funding, and working toward self-sustaining programs while reducing dependency on government appropriations or NGO donations.

The Ford Foundation essentially served as the central appropriator and utilized its network of NGOs and university partnerships to execute the program. The IFP model is built on the premise that building social capacity benefits economic development. While this may have merit, development issues may get lost in the pursuit of a social justice agenda.

Some advocates argue that IFP illustrates how minorities can succeed in postgraduate education.¹⁹⁴ Although this is true, proving ability is not the stated purpose of the fellowship even though some have politicized its affirmative action aspects. This illustrates how a social agenda can distract from a development agenda. A developmental focus remains focused on reducing the opportunity gap while a social focus champions minority rights and ability. Shifting the debate to the *ability* of minority groups increases the risk of losing focus on sustainable economic behavior and the likelihood of political scrutiny.

Does the United States want to get extensively involved in the social justice debate? Advocates argue that U.S. participation shows leadership while opponents argue that it is meddling in the internal affairs of sovereign countries. Although IFP allows each country to define who is marginalized, it is important to recognize that the Ford Foundation's mission is to "support leaders and organizations on the frontlines of social change worldwide."¹⁹⁵ Participation in social justice foreign assistance programs is not apolitical and serves to attract unwanted attention and criticism.

¹⁹⁴ Silverio, "Brazil: Excluded Groups in Higher Education," 139.

¹⁹⁵ "Ford Foundation: Mission," Ford Foundation, <http://www.fordfoundation.org/about-us/mission> (accessed 12/2/2010).

1. Recipient Objectives

Remaining focused on recipient objectives is one of IFPs greatest strengths. The Ford Foundation used a broad network of partner NGOs to ascertain recipient needs by seeking those with the greatest development needs. The organization was structured to identify participants based on recipient definitions and inputs. It provided flexibility that partners utilized to accomplish the stated objective. Partners at the local level were resourced to find and prepare participants for a successful fellowship experience. Networks at hosting educational institutions minimized failure by helping students gain admission and assisting them throughout the program. Graduates and local partners also provided mentoring and encouragement.

As of 2008, 3,300 participants had been selected from over 65,000 applicants. Of those working toward a master's degree, 89 percent successfully graduated and 83 percent had returned to their country. Additionally, many fellows were honored with prestigious grants and service awards.¹⁹⁶ Of those who had not returned home, a portion had extended educational opportunities through other programs. While acknowledging that any education program will experience loss of human talent and resources, IFP results compare favorably with other programs that experience "brain drains" higher than IFP's return rate.¹⁹⁷

IFP clearly demonstrated that its selection and support processes were superior. The model proved effective in terms of academic performance and high numbers of graduates who returned home to serve in a manner consistent with their education. In the end, the Foundation enabled IFP to maintain focus on stated recipient objectives and needs.

2. Stable Funding

IFPs thirteen-year commitment amounted to \$405 million, which breaks down to approximately \$31 million per year, or \$93,000 for each of the 4,300 projected participants. With a 90 percent graduation rate and 85 percent rate of returning home,

¹⁹⁶ "Ford Foundation International Fellowship Program Overview."

¹⁹⁷ Dassin, "Higher Education as a Vehicle for Social Justice: Possibilities and Constraints," 26–27.

expenses rise to between \$100,000 per graduate and \$110,000 per graduate who returns home. From an appropriations perspective, a \$31 million annual commitment seems reasonable, however policy makers would need to evaluate the per person costs.

Measuring the value of social leadership will remain a challenge and the subject of debate. Social justice advocates would argue that any measurement must include intangible values. For example, if a community significantly reduces domestic violence then it builds capacity for economic development. Eradication of small pox, educating women and the green revolution are other capacity building examples.

Opponents will highlight that per person expenses are between sixteen and twenty times the per capita GDP (PPP) in the twenty two participating countries.¹⁹⁸ For a relative comparison, the United States would spend between \$736,000 and \$920,000 on a postgraduate education for American students.¹⁹⁹

This program was fully funded by Ford Foundation. No cost sharing was included in the plan. Although IFP relied solely on a single source of funds, subsequent programs with similar missions could access a variety of cost-sharing opportunities.

3. Self-Sustaining Development

IFP was not envisioned or organized as a self-sustaining private sector program. It targeted leaders in vulnerable areas to effect development through the efforts of these leaders and those they influence. Individual participants have already been credited with using their education to improve many communities. This paper will not attempt to measure or debate the positive contributions participants have made. Their efforts may generate a variety of initiatives that benefit communities, but once funding ends in 2013, no additional scholarships will be provided through this program.

Although the Ford Foundation chose to use IFP as an experiment with a clear end date, a similar program may mitigate sustenance challenges by establishing an ongoing

¹⁹⁸ The average per capita GDP between the 22 countries amounts to \$5,655. I rounded down to \$5,600 to account for disadvantaged status, then divided the per person IFP costs. Data collected from “CIA: The World Factbook,” Central Intelligence Agency, <https://www.cia.gov/library/publications/the-world-factbook/> (accessed 12/2/2010).

¹⁹⁹ 2009 per capita GDP is \$46,000. Multiply that by 16 and 20 for the results. Ibid.

endowment. This would require a large upfront investment, but it could extend desired outcomes to more participants. Depending on local needs, IFP could serve to encourage entrepreneurship in targeted areas. In this sense, a larger number of leaders would return home to work in revenue generating sectors and could help establish self-sustaining businesses or other economic investments.

4. Minimize Dependency

In terms of endogenous economic development, very few IFP graduates return to work for private sector businesses. Most work for the public sector or international NGOs.²⁰⁰ Although they tend to receive higher personal wages and promotions as a result of their fellowship experience, these sectors in general fail to generate tax revenues. Most NGOs depend upon external donations or government assistance and therefore may not be the most efficient option for a country that is striving to increase productivity in its economy.

Many developing countries are saturated with well-intentioned NGOs that are incentivized to increase external donations. This revenue source tends to decrease when there are difficult economic times (in the donor country) or when donors underestimate development challenges. Perceived need, therefore, becomes the primary export of a developing country.

This is not to suggest that capacity building is unimportant. Infrastructure and institutions are an important aspect of a stable economy, but in order to build sustainable economies efforts need to shift toward building or strengthening market activity, ultimately generating tax revenues to support government infrastructure and other investments. An appropriate exit strategy for NGOs would focus on ways to stimulate entrepreneurial activities, increasing potential tax revenues. In this way, success would be measured by whether countries are able to sustain a given program.

²⁰⁰ Dassin, “‘Return’ and ‘Returns’: Brain Drain and the Path Back Home,” 241.

C. U.S. POLICY IMPLICATIONS

The Ford Foundation's IFP has been a successful experiment at nurturing socially disadvantaged leaders. They have addressed the opportunity gap within developing countries by enabling 4,300 highly motivated leaders to enhance their education with a world-class fellowship experience. They used a decentralized operational structure combined with flexible local partnerships to target marginalized groups. They recruited and selected motivated individuals who were committed to social development causes. Local IPs and university partners provided support before, during and after their fellowship. Many of these leaders have returned home to better opportunities and are seeking ways to improve their communities. In the end, individual IFP fellows will determine the success of the program. Early indications are positive, and although the program ends in 2013, the networks and relationships established by IFP fellows will determine perceived value more than anything else.

As a potential model for a U.S. foreign assistance program it has some strengths and weaknesses. In terms of cost, annual appropriations would generally fly under the radar although the per-person cost may attract attention. Ultimately, policy makers would need to evaluate the value of graduating leaders and their impact on developing countries. As presently constituted, the program would be dependent upon annual appropriations and graduates would be trained to work for NGOs, which would be a magnet for additional donations and appropriations.

Two structural adjustments would encourage an economically viable approach. First, using an endowment instead of appropriations would require higher upfront costs, but would extend the program's length and may be leveraged through cost-sharing with other sources. Second, an increase in the number of leaders focused on private sector solutions would increase revenue generating employment.

These modifications would strengthen the sustainability of the program. Additionally, it might also serve to encourage investment and provide a greater balance between capacity building NGOs and profit-oriented businesses. (See IFP Summary at Figure 1.)

Purpose:

- Address social injustice
- Stimulate development by strengthening leaders in targeted communities

Organizational Structure:

- Decentralized contracted operation
- Ford Foundation plugs into existing Institute of International Education for admin support and expertise then out to 22 IPs for operational expertise and execution

Planning Considerations:

Recipient Objectives:

- Mission and organization maintain focus on recipients
- IPs provide local expertise and engage with local population
- Flexible adjustments based on recipient needs
- Minimized “brain drain”

Stable Funding:

- Low-cost: \$31 million per year
- Questionable per person costs: \$405 million for 4,300 participants
- All funding provided by Ford Foundation-no cost-sharing

Sustainability through the Private Sector:

- Not designed for private sector sustainability
- Varied degree programs and social focus for graduates
- Some graduating leaders may stimulate private sector sustainability through individual initiatives

Minimal Dependency:

- Program depends on Ford Foundation donation
- Ends in 2013 when funding stops
- Graduates have increased capacity to act within their countries

U.S. Policy Implications:

- Focus on social injustice can become political and affect consistent approach
- High per person cost commitment will be scrutinized
- Could seek cost-sharing plan similar to other existing programs
- Establishing an endowment would minimize or eliminate need for appropriations

V. USAID-HED: BILATERAL GOVERNMENT ASSISTANCE

A. HISTORY AND BACKGROUND

In the early 1990s, the foreign assistance community was looking for ways to more effectively deliver aid while the six American academic associations were seeking ways to build stronger relationships with the government. With the end of the Cold War, these academic institutions envisioned “interactive” partnerships replacing many of the independent efforts to affect economic development through higher education.²⁰¹

The six participating academic associations include the American Council on Education (ACE), the American Association of Community Colleges, the American Association of State Colleges and Universities, the Association of American Universities, the National Association of Independent Colleges and Universities, and the Association of Public and Land-Grant Colleges.²⁰² Although membership and specific roles differ, each association serves to advance higher education objectives for member institutions by advocating for pro-education policies, providing forums for collaboration and by seeking ways to “contribute to a stronger nation and better world.”²⁰³ Together, they provide access to more than 4,450 institutions, along with millions of faculty members and students.²⁰⁴

As the world was rapidly changing and becoming more globalized, the higher education community projected that development assistance needs would significantly increase. This was viewed by academia as an opportunity to provide solutions to an international problem and strengthen American students and higher education

²⁰¹ Allan W. Ostar, “Partnerships Between the Interactive University and Its Constituencies,” *Economic Development Review* 9, no. 1 (1991): 56.

²⁰² “Sponsoring Associations,” Higher Education for Development, <http://www.hedprogram.org/Default.aspx?tabid=102> (accessed 12/2/2010).

²⁰³ “About ACE,” American Council on Education, http://www.acenet.edu/AM/Template.cfm?Section=About_ACE (accessed 12/2/2010).

²⁰⁴ USAID, “Users’ Guide to Building Human Capacity through Education and Training,” in *G/HCD Contracting Mechanisms 2000 Edition* (Washington, D.C.: USAID Global Bureau Center for Human Capacity Development, 2000), 27–28.

institutions. A partnership with USAID would deliver a front row seat on development issues while providing USAID access to vast amounts of educational resources and people.

The Association Liaison Office for University Cooperation in Development (ALO) was originally created in 1992 to serve as a liaison between the academic community and USAID in order to “further the engagement of higher education with [United States]’ development goals.”²⁰⁵ This symbiotic relationship enabled USAID to leverage its efforts to meet growing development demands despite shrinking staffs.²⁰⁶ ALO was able to link USAID’s development expertise and networks in developing countries with 90 percent of the accredited postgraduate institutions in the United States. This arrangement served as a top-to-bottom initiative calculated to build institutional and human capacity.

Institutional capacity was enhanced as higher education institutions from developing countries and the United States interacted by providing training, resources and advice on how to more effectively operate. Human capacity was improved through grant and scholarship programs for students and faculty.

In 1997, USAID initiated the “competitive awards process” through an agreement with the academic associations that attempted to create many collaborative relationships.²⁰⁷ This process became a resourcing tool that strengthened ALO operations and enhanced institutional and human relationships. By offering small grants, USAID provided incentives to initiate project-based partnerships and which could develop into working relationships.

In 2005, ALO changed its name to the Higher Education for Development (HED)

²⁰⁵ “Our History,” Higher Education for Development, <http://www.hedprogram.org/WhoWeAre/OurHistory/tabid/83/Default.aspx> (accessed 12/2/2010).

²⁰⁶ Christine Morfit, Jane Gore, and P. Bai Akridge, “U.S. Higher Education Partnerships in Africa 1997–2007,” (USAID, 2009), 4.

²⁰⁷ *Ibid.*, 5.

in order to more closely align its higher education objectives.²⁰⁸ This organization serves to provide a bilateral foreign assistance program through university partnerships while serving USAID's development goals of: agriculture, democracy and governance, economic growth and trade, education, environment, global partnerships, global health and humanitarian assistance.²⁰⁹

This paper will primarily analyze a specific HED partnership program known as the Training, Internships, Exchanges and Scholarships (TIES) Initiative in Mexico. TIES has its conceptual roots in the 1994 North American Free Trade Agreement (NAFTA) and the 2001 Partnership for Prosperity.

While NAFTA led to a strong rise in Mexican investment, trade and employment it also increased the rich-poor gap in many areas of Mexico. In early 2001, President Fox of Mexico and President Bush attempted to address this gap with the Partnership for Prosperity initiative. In this partnership they agreed that “among our highest priorities is unfettering the economic potential of every citizen, so each may contribute fully to narrowing the economic gaps between and within our societies.”²¹⁰

TIES became a sub-initiative within the larger presidential vision of reducing the economic gap between rich and poor. USAID looked to HED to establish a program that achieved three objectives that fit within the Partnership for Prosperity's larger umbrella. These objectives are: build human capacity, strengthen institutional capacity, and support USAID's larger strategic goals in Mexico.²¹¹

²⁰⁸ “Our History.” From this point forward, ALO will be referred to as HED since it is the same organization and to prevent confusion.

²⁰⁹ USAID, “Our Work: A Better Future for all,” USAID, http://www.usaid.gov/our_work/ (accessed 12/2/2010).

²¹⁰ Department of State, “Partnership for Prosperity,” Department of State, <http://www.state.gov/p/wha/ci/mx/c7980.htm> (accessed 10/21/2010).

²¹¹ Higher Education for Development, “Evidence of Success: Results from Higher Education for Development Site Visits to six Partnerships,” (USAID in Mexico, 2008), 3.

B. ORGANIZATIONAL STRUCTURE

1. USAID

USAID is led by a presidentially appointed Administrator who is responsible for international economic development and many foreign assistance programs. The September 2010 Presidential Policy Directive on Global Development attempts to address the growing interagency confusion with foreign assistance by including USAID's Administrator in National Security Council meetings. Additionally, it seeks to raise role of development in national security strategy by placing the Administrator under the Secretary of State.²¹² This realignment also seeks to address the many coordination challenges facing foreign assistance programs.

There are five geographic and three functional bureaus that assist the Administrator in executing his/her responsibilities. Geographic bureaus are responsible for programs administered in specific regions or countries while functional bureaus oversee those programs that are global or merge across regional boundaries. Additionally, there are nine offices that perform more specific programs or directives such equal opportunity requirements.²¹³

Both geographic and functional bureaus play a role in higher education initiatives. Organizationally, these initiatives are the responsibility of the Economic Growth, Agriculture and Trade (EGAT) bureau, which is further subdivided into eight offices including the Education office. The Education office oversees all educational development, including USAID's efforts to support the Millennium Development Goals. The education office oversees three teams, of which the "Higher Education and Workforce Team" (HEW) is responsible for the university partnership programs.²¹⁴

²¹² White House, "Fact Sheet: U.S. Global Development Policy | The White House," <http://www.whitehouse.gov/the-press-office/2010/09/22/fact-sheet-us-global-development-policy> (accessed 10/21/2010).

²¹³ USAID, "USAID: Organization," http://www.usaid.gov/about_usaid/usaidorg.html (accessed 12/2/2010).

²¹⁴ "Agency Programs and Functions," in *ADS Chapter 101*, ed. Office of Human Resources/Civil Service Personnel Division (USAID, 2007), 72, 79–80.

Geographic or regional bureaus have staffs that oversee functional issues within a region. For example, the former Africa bureau had an office of Sustainable Development, which had an Education Division. This division would serve as a regionally based advocate for higher education activities in the region. Within many embassies there is a USAID “mission” that provides on-site support for development activities. Missions are structured into four different models, but are designed to meet the needs of individual countries.²¹⁵

2. Higher Education Development (HED)

Understanding the basic elements of USAID contracting policy is important to understand HEDs structure, purpose and mission. In the 1990s, when the academic associations and USAID proposed establishing working relationships, USAID was cutting back on full-time staff and was unable to administer a growing mission.²¹⁶ Federal law and USAID policy allow for goods and services to be contracted out to nonfederal entities when assistance is required, so they pursued an NGO service contract.

In line with Federal Acquisition Regulations, which govern U.S. contract policy, any competitively-based government contracts must be transparent and fair. These standards are in place to preserve the integrity of the contracting process.²¹⁷

USAID policy requires that the applicable USAID bureau manage and allocate funds to support USAID objectives.²¹⁸ The Bureau, which is EGAT, works with the appropriate contracting official to determine how to best execute the desired outcome. In this case, the HEW team did not have the necessary staff to execute the desired mission so they sought to “transfer money . . . to the recipient in order to carry out a public purpose . . . authorized by Federal statute.”²¹⁹

²¹⁵ “Agency Programs and Functions,” 116–19.

²¹⁶ Morfit, Gore, and Akridge, “U.S. Higher Education Partnerships in Africa 1997–2007,” 5.

²¹⁷ “Grants and Cooperative Agreements to Non-Governmental Organizations,” in *ADS Chapter 303*, ed. Bureau for Management/Office of Acquisition and Assistance (USAID, 2010).

²¹⁸ “Selecting Between Acquisition and Assistance (A & A) Implementing Instruments,” in *ADS Chapter 304*, ed. Bureau for Management/Office of Acquisition and Assistance (USAID, 2010), 11.

²¹⁹ *Ibid.*, 4.

Based on the circumstances, this resource transfer could be accomplished through a grant or cooperative agreement. USAID's role determined the appropriate delivery method. If the agency was to be “substantially involved” then a “cooperative agreement” was the right approach, if not, then money would be transferred to the recipient through a grant.²²⁰ Because USAID provided both geographic and functional expertise on economic development, a significant role was desired. For that reason a cooperative agreement established the partnership.

Executing this legal agreement posed additional challenges. Due to contract laws, overarching objectives and mutually desired outcomes, delivery was not as simple as providing money to the academic associations and subsequently to individual institutions. As these requirements were considered, HED became the operational element for the cooperative agreement.

3. Contract Laws

Federal contracting standards are largely concerned with maintaining systemic integrity through transparency and fairness during the entire award process. Laws require that decision makers avoid conflicts of interest by ensuring that information and decision-making activities are available for potential participants. It was also important provide an independent and competitive process to prevent perceived favoritism.

4. Overarching Objectives

As USAID and the higher education community came together, they saw an opportunity to better interact for a common purpose. By establishing a defined relationship that increased communication and leveraged resources from both parties, foreign economic development would benefit. USAID provides development awareness, expertise and strategic focus while the academic community offers structure to problem-solving, creative suggestions and possible solutions for oft-challenging problems.²²¹

²²⁰ “Selecting Between Acquisition and Assistance (A & A) Implementing Instruments,” 6 and 11.

²²¹ “USAID-Higher Education Community Partnership,” in *ADS Chapter 216*, ed. USAID (USAID, 2002), 2–3.

5. Desired Outcomes

Both parties wanted to maximize education resources in a manner that would meet recipient objectives while remaining aligned to American interests. They also wanted to establish “participatory processes” that would encourage program sustainability.²²² As recipient countries were presented with solutions and initial resources to address core problems, it was hoped that they would develop a greater ability and desire to meet their development needs. As problems are solved and discovered, American students and faculty can establish relationships, gain exposure to and experience with the problems facing developing countries. These opportunities can serve to build and strengthen human and institutional capacity.

C. THE PARTNERSHIP

In light of the law, overarching objectives and desired outcomes, HED was constituted to provide four primary services: (1) bring higher education institutions together in partnerships focused on USAID development goals, (2) seek funding solutions for those partnerships, (3) provide a forum for discussion, and (4) produce publications that highlight these efforts.²²³ It accomplished this with a Board of Directors, an Advisory Council and a small staff located in Washington D.C.

The Board of Directors consists of six senior assistants to each of the academic associations. It is now led by a Senior Vice President of ACE whose membership currently provides the largest number of active partnerships.²²⁴ An advisory staff brings significant expertise on higher education and development issues to assist the directors in decision-making.

The HED staff consists of twenty-five personnel who understand international development as well as higher education and USAID operations. They are led by an

²²² “USAID-Higher Education Community Partnership,” 5.

²²³ “What We Do,” Higher Education for Development, <http://www.hedprogram.org/WhatWeDo/tabid/56/Default.aspx> (accessed 10/21/2010).

²²⁴ “2009 Annual Report,” (Washington, D.C.: Higher Education for Development, 2009), 19.

Executive Director, who oversees Administrative, Communications, Monitoring and Evaluation and Program staffs.²²⁵ This staff serves as a source for building relationships in the development community and provides information on how to establish higher education partnerships as well as how to apply for and receive funding through the competitive awards process.

As the party responsible for maintaining transparency and objectivity in the funding process, the HED staff liaise with USAID missions, D.C. Bureaus and the higher education community. The process begins with requirements established by a host-country institution and the applicable USAID mission. They work with the HED staff to create a “Request for Application” (RFA), which communicates the desired outcome. The appropriate Bureau approves and HED forwards the RFA to the associations who market to potential U.S. partners. Approximately three months later, four neutral higher education peers and an individual from the mission review, score and recommend a winner.²²⁶ Since 1998, HED has established more than 350 institutional partnerships in more than 60 countries with nearly \$80 million in program grants.²²⁷

The process is designed to create sustainable partnerships by offering a small amount of money. One of the core elements evaluated by the peer committee during the RFA review process is cost sharing. It is a prerequisite to applying for any university partnership and is designed to illustrate commitment. The winning grant, paid through EGAT funds, provides initial funding to start a working relationship focused on individual and institutional objectives.

²²⁵ “Program Staff,” Higher Education for Development, <http://www.hedprogram.org/WhoWeAre/ProgramStaff/tabid/100/Default.aspx> (accessed 10/21/2010).

²²⁶ Morfit, Gore, and Akridge, “U.S. Higher Education Partnerships in Africa 1997–2007,” 24–25.

²²⁷ Data collected from “Where We Work,” Higher Education for Development, <http://www.hedprogram.org/WhereWeWork/tabid/57/Default.aspx> (accessed 8/25/2010). Basic information on each of the partnerships is found in country specific links. As of 25 August 2010, there were 354 partnerships listed, accounting for \$79,817,676.

D. TRAINING, INTERNSHIPS, EXCHANGES AND SCHOLARSHIPS PROGRAM IN MEXICO

1. The Problem

USAID's strategic economic vision for Mexico was established with the joint Mexico-U.S. statement concerning the Partnership for Prosperity initiative. This directed both countries to work toward reducing the economic gap between Mexico's rich and poor and was viewed as an opportunity to strengthen NAFTA.

The current security problems present additional strategic dimensions to the TIES program. Although the economic prognosis in Mexico appears to be improving, there have been more than 28,000 deaths resulting from Mexico's military engagements with drug cartels since late 2006. The situation has resulted in a greater emphasis by USAID on strategic concerns.²²⁸

2. The Solution

TIES was designed as a bilateral assistance program between the United States and Mexico to pursue university partnerships between American and Mexican schools and to provide scholarships to U.S. community colleges for Mexico's rural poor. This overarching country to country program was to provide the motive and means to generate several partnerships. The scholarship element of the program was administered by a separate institution and did not fall under the cooperative agreement that HED administered.²²⁹

²²⁸ "Request for Applications (RFA): Mexico: Job Opportunities for Business Scale-Up (JOBS) 2010," Higher Education for Development, <http://www.hedprogram.org/tabId/66/itemId/220/Mexico-Job-Opportunities-for-Business-ScaleUp-J.aspx#TIES> (accessed 12/4/2010).

²²⁹ "USAID: Training, Internships, Exchanges, and Scholarships (TIES) Partnership Initiative," Department of State, http://mexico.usembassy.gov/eng/eaid_TIES.html (accessed 12/4/2010).

The higher education community saw this as an opportunity to use HEDs services to leverage both government and private sector resources. It aimed to achieve three broad objectives:²³⁰

- Align donor and recipient objectives
- Build and strengthen institutional capacity
- Build individual capacity

a. Donor and Recipient Objectives

Donor and recipient objectives are divided into eight program areas: Agriculture, Distance Learning, Economic Opportunity, Education, Entrepreneurship, Environment, Governance, and Health.²³¹ Although the breakdown provides a general overview of partnership activities, it is not all inclusive nor are categories clearly defined. The Economic Opportunity and Entrepreneurship categories are not clearly distinguishable. Both categories include microfinance and general business projects designed to increase free-market competitiveness.²³² Categorical assignment is important from a donor strategic perspective and for accountability, but many projects have outcomes that overlap multiple categories. For example, some partnerships are placed in the Agriculture category, but they also include aspects that could qualify for the Economic Opportunity, Entrepreneurship, and Environment objectives.

b. Institutional Capacity

HED evaluates institutional capacity by measuring how TIES partnerships strengthen each other and how they approach development goals. Stronger educational

²³⁰ “U.S.-Mexico Training, Internships, Exchanges, and Scholarships Initiative (TIES): A Model for Success,” ed. Higher Education for Development (Washington, D.C.: Higher Education for Development, 2009), 1.

²³¹ Manny Sanchez, “U.S.-Mexico Training, Internships, Exchanges, and Scholarships (TIES) Semi-Annual Report for October 1, 2009–March 31, 2010,” ed. Higher Education for Development (Washington, D.C., 2010), 5.

²³² “U.S.-Mexico Training, Internships, Exchanges, and Scholarships Initiative (TIES): A Model for Success,” 16, 18–20.

institutions result as they incorporate concepts into courses, improve teaching techniques, create research partnerships, publish articles or improve management processes. Development goal accomplishments are evaluated by looking at development impacts expected within the general program areas. These goals are addressed primarily by building stronger relationships with governments, NGOs or businesses, community outreach and promotions.²³³

HED also attempts to establish strong institutional commitment by using its “cost-share” approach. Potential applicants are required to commit a portion of the projected costs, which not only leverages the program, but strengthens the commitment between education partners.

c. Building Human Capacity

Building human capacity focuses on ways that individuals are able to improve themselves or their community. Measurement is based on the number of people trained in some capacity and the number of scholarships or exchanges that are provided. University partnerships build human capacity by working directly with like-minded institutions on local problems. This promotes more accurate understanding of development needs and the creation of flexible solutions through direct faculty and student interactions.

All program participants are reviewed and required to have USAID sponsored training as a prerequisite to acceptance. Participants are filtered to identify law abiding citizens who desire to assist in Mexico’s development, speak sufficient English, and are in good health. A commitment to return to Mexico is mandatory. The training provides an overview of what is expected of each individual and of what participants should expect during their visit to the United States.²³⁴

²³³ Sanchez, “U.S.-Mexico Training, Internships, Exchanges, and Scholarships (TIES) Semi-Annual Report for October 1, 2009–March 31, 2010,” 9–10.

²³⁴ “Pre-Departure Guide for U.S.-based Participant Training & Exchange Visitory Programs “, ed. Bureau for Economic Growth USAID Office of Education, Agriculture & Trade (USAID, 2010), 3.

E. EVALUATING PLANNING CONSIDERATIONS

Thus far, there have been 74 university partnerships. The majority have been labeled with a primary focus on environmental issues, followed by agriculture and economic opportunity. As previously mentioned, this one dimensional measurement does not adequately capture all affected strategic objectives. For example, a partnership between Western Illinois University and two Mexican institutions seeks to strengthen the ecotourism industry in Southern Mexico. Although the activities focus on improving business and customer service skills, the partnership was labeled as an agricultural project due to its attachment to the rural indigenous population in Southern Mexico.²³⁵

Another project attempted to combine animal waste and energy services to strengthen the livestock sector in northern Mexico. In this case, the University of Georgia and three Mexican universities partnered to create joint training that would be presented to industry, government and academic participants who would seek to strengthen affected businesses.²³⁶ Although it was labeled as an environmental project, it could have easily been placed in the agriculture or economic opportunity areas.

1. Recipient Objectives

The recently created Job Opportunity for Business Start Up (JOBS) initiative that HED is pursuing for Tijuana is an example of how donor and recipient objectives seek to align. The global JOBS initiative is a recent USAID effort to link business focused colleges and universities with students in developing countries. The desired outcome is to “prepare graduates who have an entrepreneurial spirit” and to offer tools and relationships that will lead to higher levels of employment.²³⁷ As a city bordering San

²³⁵ Sanchez, “U.S.-Mexico Training, Internships, Exchanges, and Scholarships (TIES) Semi-Annual Report for October 1, 2009–March 31, 2010,” 5; “U.S.-Mexico Training, Internships, Exchanges, and Scholarships Initiative (TIES): A Model for Success,” 10.

²³⁶ “Where We Work: Latin America and the Caribbean: Mexico,” Higher Education for Development, <http://www.hedprogram.org/WhereWeWork/LatinAmericatheCaribbean/tabid/154/id/36/Default.aspx> (accessed 10/28/2010).

²³⁷ “Current RFAs / Barbados: Supporting Entrepreneurs through the JOBS Initiative,” Higher Education for Development, <http://www.hedprogram.org/CurrentRFAs/tabid/66/Default.aspx?itemid=215> (accessed 12/4/2010).

Diego, Tijuana has economic and security significance to the United States. Mexico is seeking to create employment opportunities for youth who often turn to drug trafficking because of limited options in other sectors. The premise of this RFA is that entrepreneurial opportunities will create competition against illegal drugs. Whether or not this will work remains to be seen.²³⁸

This illustrates how the broader structure between USAID and the academic associations serves to protect recipient objectives. Because its authority comes from the U.S. government, USAID remains focused on U.S. strategic objectives. When overlapping situations occur it would be easy to make program or organizational adjustments that may not fully consider recipient desires and subsequent difficulties may arise. Higher education institutions, on the other hand, do not have the same obligations and have more incentives to maintain focus on recipient objectives. HED and associated universities, as the executors of USAID interests are able to keep relative alignment between donor and recipient objectives, but they have greater flexibility to maintain focus on recipient needs than USAID would.

2. Stable Funding

As of September 2008, there had been more than 28,000 people affected through one of the partnerships. Of those, there were 935 scholarships, more than 900 university exchanges, and more than 350 internships and nearly 26,000 were nondegree training initiatives.²³⁹

To accomplish this, HED has awarded just over \$19 million while partners and other sponsors have provided \$20 million.²⁴⁰ By leveraging funds, HED spends \$678 for every participant instead of \$1,393. If the 2,185 scholarships, exchanges and internships are isolated from the shorter term training activities, USAID spends \$8,695 instead of

²³⁸ “Request for Applications (RFA): Mexico: Job Opportunities for Business Scale-Up (JOBS) 2010.”

²³⁹ “U.S.-Mexico Training, Internships, Exchanges, and Scholarships Initiative (TIES): A Model for Success,” 2.

²⁴⁰ Ibid.

\$17,849. The limited amount of specific cost data prevents an accurate assessment, but it highlights how the cost-share program leverages savings for the government.

3. Self-Sustainable Development

USAID understands the role that sustainability plays in effectively delivering assistance. In its September 2010 “Strategy for Meeting Millennium Development Goals” the word “sustain” (or a form of it) was used 78 times in the 33 page document. For them, “sustainab[ility] means that the policies and programs . . . [are] fully owned by the people they were designed to help . . . [and] rooted in sound domestic institutions that can nurture and finance them over the long term.”²⁴¹ In this sense, university partnerships aim to generate momentum to maintain relationships that will then produce results.

Institutional relationships are at the core of USAID’s definition of sustainability. While strong institutions are important for a successful society, it is important to distinguish how public and private institutions generate resources. The private sector generates revenues through trade while most governments and NGOs depend upon private sector revenues through taxes or donations. Some organizations, such as Ford Foundation create investment revenue from an endowment originating from a private sector benefactor. This illustrates how institutional resources ultimately sprout from the private sector.

Strong institutional relationships increase the ability of governments and NGOs to “nurture” resource options.²⁴² In short, partnerships that rely on government appropriations or donations strengthen the foreign assistance lobby through growing numbers of program advocates. If left unchecked, these institutions can shift their focus toward self-preservation which, despite good intentions, can lead to an excess supply of goods or services and damage a developing country’s ability to meet pressing needs.

²⁴¹ “The United States’ Strategy for Meeting the Millennium Development Goals,” ed. USAID (USAID, 2010), 11.

²⁴² Ibid.

The executive level Partnership for Prosperity was established as an attempt to address the economic gap between rich and poor in Mexico. With that in mind, strengthening private sector entrepreneurship should be at the core of TIES partnerships. Ignoring private sector sustainability risks a loss of focus and unmet objectives.

Of the 74 TIES partnerships, 40 are either linked to the private sector or seek to create employment opportunities for Mexican citizens.²⁴³ Although not all partnerships directly strengthen entrepreneurs, several innovative approaches have been used to generate private sector sustainability. The University of Texas at San Antonio partnered with Universidad Veracruzana to establish more than 100 Small Business Development Centers (SBDC) that offer a variety of services. These include helping individuals create or improve businesses, employing others, and using the Internet to expand. This partnership created a system of SBDC networking, provided Master's degrees in business, followed by internships and sought ways to maintain the quality of the SBDCs. Additionally, workshops and exchanges were offered as part of community outreach efforts.²⁴⁴

Dr. Sylvia Ortega argued that many Mexican students are not developing employable skills and that there needs to be ability, awareness and a shift to meet the needs of high demand career fields.²⁴⁵ To address this problem, Southern Methodist University (SMU) and the Instituto Tecnológico y de Estudios Superiores, Monterrey (ITESM) used TIES to enable and encourage Mexican students to meet “the shortage of qualified software engineer developers who can meet the information technology needs of Mexico.” SMU sponsored a one-week workshop and established a distance learning graduate level program for ITESM faculty.²⁴⁶

²⁴³ “Where We Work: Latin America and the Caribbean: Mexico.” Each of the 74 case descriptions were analyzed for direct statements that were aimed to improve the private sector or create employment opportunities for Mexican citizens. The level of impact varies by the partnership, but it provides a general overview.

²⁴⁴ Ibid.

²⁴⁵ As quoted by Dr. Sylvia Ortega in “Sustainable Partnerships: A Call to Action,” ed. Higher Education for Development, Training, Internships, Exchanges, and Scholarships (TIES) Conference Report (Higher Education for Development, 2009), 3.

²⁴⁶ “Where We Work: Latin America and the Caribbean: Mexico.”

The 34 remaining partnerships do not emphasize private sector solutions. Instead they seek to strengthen government or NGO partnerships, improve general health, or environmental concerns. While each offers necessary public services and capacity, they do little to strengthen entrepreneurial skillsets. Some researchers suggest that the best way to address health or environmental concerns is by creating opportunities to raise living standards.²⁴⁷ Individuals have personal incentives to provide for themselves and their families, while environment and health initiatives may not take on personal meaning until other basic needs are addressed. For example, China's recent economic advancement has led to public calls for improved environmental policies—something that previously impoverished citizens did not seem to care about.²⁴⁸

While this suggests that USAID should continue its requirement that any project be locally sustainable, it also suggests that economic opportunity through the private sector should be the top priority. As people prosper, they are more likely to demand progressive efforts to improve environment and health.

4. Minimize Dependency

The TIES partnerships had mixed results in this category. The vast majority of environmental and health partnerships seek to strengthen public institutions. A simple example was the University of Wisconsin-Madison collaboration with two Mexican universities to strengthen watershed management programs in local municipal governments.²⁴⁹ Partnerships such as these will be dependent on appropriations or donations if they choose to continue the project.

Others have creatively combined entrepreneurial activities with environmental or health improvements. One partnership aimed to increase rural incomes and living

²⁴⁷ David Wheeler, Hemamala Hettige, and Muthukumara Mani, "Industrial Pollution in Economic Development (Kuznets Revisited)," (New York: World Bank Policy Research Working Paper Series: 1876, 1998).

²⁴⁸ Malcolm Moore, "China's Middle-class Rise up in Environmental Protest," Telegraph.co.uk, <http://www.telegraph.co.uk/news/worldnews/asia/china/6636631/Chinas-middle-class-rise-up-in-environmental-protest.html> (accessed 12/4/2010).

²⁴⁹ "Where We Work: Latin America and the Caribbean: Mexico."

standards through applied environmental research. In this case, West Virginia University and the Universidad Autónoma de Querétaro used greenhouse technology to help farmers fill a market niche and improve their production capacity. The program created two greenhouse technology degree programs, offered 30 scholarships and built several greenhouses in the area for applied research capacity.²⁵⁰

F. U.S. POLICY IMPLICATIONS

This chapter evaluates whether TIES provides a service that fits within the parameters required for foreign assistance success. HED was designed to administer the cooperative agreement between USAID and the higher education associations. This structure empowers the TIES foreign assistance program to maintain relative focus on recipient objectives that meet Mexico's long-term development needs.

One of the strengths of this program is the concept of stable funding. It has met the low-cost requirement by averaging \$3.8 million per year in USAID allocations. Additionally, other participants have shown financial commitment with an additional \$4 million each year through cost-sharing.

Applicants are required to plan for sustainability, but there is significant leeway in how a partnership delivers it. Some partnerships plan private sector involvement while others strive to involve public institutions, which potentially create increased demand for future appropriations. The larger concern is that institutional saturation may exacerbate the rich-poor gap and remove incentives that local entrepreneurs could solve.

In large part, TIES partnerships use creative strategies to generate private sector sustainability. These have created employment opportunities, raised production capacity and increased environmentally friendly technologies. Despite Mexico's current security challenges the TIES program offers solutions that generally provide institutions and individuals greater economic capacity. (See Summary at Figure 2)

²⁵⁰ "Where We Work: Latin America and the Caribbean: Mexico."

Purpose:

- Partnership for Prosperity initiative to reduce economic gap between Mexico's rich and poor
 - Build human capacity
 - Strengthen institutional capacity
 - Support USAID strategic goals in Mexico

Organizational Structure:

- HED serves as buffer between USAID and U.S. higher education academic associations by executing cooperative agreement

Planning Considerations:

Recipient Objectives:

- As third party, HED protects recipient and donor interests
- Enables donor and recipient planning environment

Stable Funding:

- Low-cost: \$3.8 million per year
- Cost-share: partners provide additional \$4 million each year

Sustainability through the Private Sector:

- Mixed results: 40 of 74 partnerships seek private sector involvement

Minimal Dependency:

- Mixed results: Health and Environmental partnerships tend to build capacity through institutional relationships

U.S. Policy Implications:

- HED model protects donor and recipient interest
- Cost-sharing increases incentives for program success and sustainability
- Blend of private and public capacity encourages sustainability

Figure 2. USAID-HED: TIES Summary

VI. LDS PEF: PRIVATE RELIGIOUS ASSISTANCE

The Perpetual Education Fund (PEF) was created by the Church of Jesus Christ of Latter-day Saints (LDS or Mormon) to increase the economic capacity of its members in developing nations. To understand this program it is necessary to examine the history of church expansion to the western United States, its focus on community building and how volunteers, organization and resources enabled the PEF to become a reality.

A. HISTORY AND BACKGROUND

The LDS church is a Christian denomination founded during the Second Great Awakening in New York by Joseph Smith.²⁵¹ Early in the church's history, new converts gathered in regions where they could support each other spiritually and economically. As membership grew, differences with nonMormon neighbors led to political difficulties, tensions and crimes against many Mormons. As a result, the main body of members moved from Ohio to Missouri to Illinois. After Joseph Smith was killed by an Illinois mob in 1844, Latter-day Saints attempted to remain in western Illinois but tensions increased. By the fall of 1845, Congressman Stephen Douglas and others were successful in convincing Brigham Young to lead the Latter-day Saints west as part of American manifest destiny.²⁵²

1. Westward Trek–The Perpetual Emigration Fund

The concept of the modern PEF is traced to the 1840s when Mormon pioneers were establishing Salt Lake City. The vast majority of new converts during that time were extremely poor, but they desired to join the larger body of members in the west. In order to meet the desires of these new members, LDS leadership created the Perpetual Emigration Fund, which was initially financed by the church to provide loans to

²⁵¹ Church Educational System, *Church History in the Fulness of Times : The History of the Church of Jesus Christ of Latter-day Saints* (Salt Lake City, UT: Church of Jesus Christ of Latter-day Saints , 1989), 12.

²⁵² *Ibid.*, 302.

emigrants. As they arrived and settled, they were expected to repay the loan thereby sustaining the revenues and create a “perpetual” revolving fund to maintain the emigration efforts.²⁵³

The fund assisted nearly thirty thousand emigrants between 1849 and 1887. In 1880, LDS President John Taylor absolved many of the obligations owed by the poorest participants.²⁵⁴ In the end, around 65 percent of participants repaid all or part of their obligations, in part due to the dire economic conditions, the church’s continued emphasis on expansion and tensions with the U.S. government.²⁵⁵ The Edmunds-Tucker Act in 1887 authorized the U.S. government to confiscate church assets due to its practice of polygamy. At this time, the fund was disintegrated with around \$435,000. Although the money was returned in 1894, emigration to Utah had slowed and the emigration fund was no longer used.²⁵⁶

Participants in this program played important roles in strengthening the church and establishing the economic foundation for subsequent generations. Although many of them were extremely poor, they brought skills and an industrial mindset, which helped to establish Utah’s economy. The beehive began to symbolize their emphasis on industry and its role in personal and societal development. In fact, Utah was originally named the “land of Deseret” (honey bee) to remind settlers of their pioneer heritage and their core value of industriousness.²⁵⁷

²⁵³ Richard L. Jensen, “Perpetual Emigrating Fund Company,” Utah.gov, http://historytogo.utah.gov/utah_chapters/pioneers_and_cowboys/perpetualemigratingfundcompany.html (accessed 12/4/2010).

²⁵⁴ David F. Boone, “Perpetual Emigrating Fund.” In *Encyclopedia of Mormonism*, (New York: Macmillan, 1992), 1075.

²⁵⁵ Jensen, “Perpetual Emigrating Fund Company.”

²⁵⁶ Heather Fay Howard, “An Economic Analysis of the Perpetual Emigrating Fund” (PhD dissertation, Cornell University, 2008), 166.

²⁵⁷ Jeffery Ogden Johnson, “Deseret, State of.” In *Encyclopedia of Mormonism*, (New York: Macmillan, 1992), 371.

2. LDS Community Building

A core tenet of LDS doctrine is that Latter-day Saints are to build “Zion” in preparation for the second return of Jesus Christ.²⁵⁸ The term “Zion” embodies the ideal utopian community for LDS church members and is the desired outcome of their efforts. Efforts to build communities of Zion were a source of conflict during the early years of the church and led to misunderstandings with nonMormon neighbors. As these neighbors became increasingly violent in the 1830s and 1840s, Mormons decided to establish their ideal community in the west.

At the center of LDS community building is the “gathering” of new converts, which occurs both spiritually and physically. People who join the LDS church are spiritually gathered into the church and are expected to participate in the cause of building Zion.²⁵⁹ Historically, Mormon converts would migrate significant distances to physically “gather” with other Latter-day Saints.

Flourishing communities have been an essential element of the gathering process. As Mormons entered the Salt Lake Valley, the majority remained to build Salt Lake City, but Brigham Young directed others to further expand throughout much of the west. As a result, several Mormon settlements were built in what are now Alberta, Canada, Arizona, Idaho, Mexico, Nevada, and Utah.²⁶⁰

To encourage collective prosperity, LDS leaders have been proponents of an economic system known as the United Order. This system is based on the following principles: “caring for the poor, work and self-reliance, equality, consecration, stewardship, the storehouse, and a moral motivation.”²⁶¹ It is a community-based

²⁵⁸ “Article of Faith 10,” Church of Jesus Christ of Latter-day Saints, http://scriptures.lds.org/en/a_of_f/1 (accessed 12/4/2010).

²⁵⁹ “2 Nephi 9,” Church of Jesus Christ of Latter-day Saints, http://scriptures.lds.org/en/2_ne/9 (accessed 12/4/2010).

²⁶⁰ Howard, “An Economic Analysis of the Perpetual Emigrating Fund,” 5.

²⁶¹ James W. Lucas and Warner P. Woodworth, *Working Toward Zion: Principles of the United Order for the Modern World* (Salt Lake City, UT: Aspen Books, 1999), 149–55.

endeavor that attempts to take advantage of many free market principles while mitigating risks through individual dedication, accountability and group property rights.

Until 1893 there were many attempts to establish United Order communities that sought to balance individual and group rights. Although there were some successes, the vast majority failed for a variety of reasons including unclear operational parameters, internal disagreements, legal issues with the federal government over polygamy and uncertainty about how to handle new members.²⁶² Although United Order communities were discontinued, leaders continued to emphasize the importance of working toward Zion.

As the church expanded, leaders encouraged individual adaptation of United Order principles. Current LDS leaders teach that the physical gathering is not meant to establish large and exclusive Mormon communities. “Every nation is the gathering place for its own people. The place of gathering for Brazilian Saints is in Brazil; the place of gathering for Nigerian Saints is in Nigeria.”²⁶³ Mormons are asked to provide stability where they live. While this entails seeking new converts and assisting current members, it is designed to be a process that includes and strengthens local communities as much as possible.

In line with Maslow’s hierarchy of needs, Mormons set out to build stable and prosperous communities so that members could find fulfillment beyond physical satisfaction. In 1905, the church President said, “It has always been a cardinal teaching with the Latter-day Saints, that a religion which has not the power to save people temporally and make them prosperous and happy here, cannot be depended upon to save them spiritually.”²⁶⁴

²⁶² L. Dwight Israelsen, “United Orders.” In *Encyclopedia of Mormonism*, (New York: Macmillan, 1992), 1494.

²⁶³ Russell M. Nelson, “The Gathering of Scattered Israel,” Church of Jesus Christ of Latter-day Saints, <http://www.lds.org/ldsorg/v/index.jsp?hideNav=1&locale=0&sourceId=d2f10d034ceae010VgnVCM100000176f620a&vgnnextoid=2354fccf2b7db010VgnVCM1000004d82620aRCRD> (accessed 3/15/2010); *Gospel Principles*, vol. 2010 (Salt Lake City, UT: The Church of Jesus Christ of Latter-day Saints, 2009), 247.

²⁶⁴ Lucas and Woodworth, *Working Toward Zion: Principles of the United Order for the Modern World*, 13.

B. ENABLERS OF THE PERPETUAL EDUCATION FUND

LDS history and beliefs toward community building provide partial insight into why Mormons have a strong conviction to the goal of assisting with global economic development efforts. Conviction with capacity is essential to any successful development effort. In this case the LDS church has three assets that have enabled the program. These include: volunteers, organized leadership structure and a variety of resources.

1. Volunteers

Endogenous economic development does not take place in a vacuum. One of the Mormon church's "Articles of Faith" states that "We believe in being subject to kings, presidents, rulers and magistrates, in obeying, honoring and sustaining the law."²⁶⁵ Like many other churches, the LDS church attempts to work within established systems of government and its efforts serve to strengthen existing institutional capacity by developing productive citizens.

Volunteers are the primary tool that the church uses to assist governments with capacity. Member participation in some role is highly encouraged, but the top priority for all members is to care for their families, which are considered the "most basic unit of society."²⁶⁶ The family first approach aims to expand individual capacity to serve in a variety of roles. Although most volunteer hours directly benefit the church and its members, Mormons are encouraged to "engage in a good cause."²⁶⁷

Local congregations often unite in conducting service activities in large or small groups. Common activities are home repairs or yard clean up for the elderly, visiting nursing homes or hospitals, cleaning roads and parks and assisting with food drives for

²⁶⁵ "Article of Faith 12," Church of Jesus Christ of Latter-day Saints, http://scriptures.lds.org/en/a_of_f/1 (accessed 12/4/2010).

²⁶⁶ M. Russell Ballard, "What Matters Most Is What Lasts Longest," Church of Jesus Christ of Latter-day Saints, <http://lds.org/liahona/2005/11/what-matters-most-is-what-lasts-longest?lang=eng&noLang=true&path=/liahona/2005/11/what-matters-most-is-what-lasts-longest> (accessed 12/4/2010).

²⁶⁷ "Doctrine and Covenants 58:27," Church of Jesus Christ of Latter-day Saints, <http://lds.org/scriptures/dc-testament/dc/58?lang=eng> (accessed 12/4/2010).

the homeless or less fortunate. Children, teenagers and young adults engage in service opportunities on a regular basis with their families and church groups.²⁶⁸ Following natural disasters or emergencies, the church often has thousands of willing volunteers to assist with clean up and basic repairs. For example, during the three weeks following hurricane Katrina more than 8,000 Mormons from nearby states provided nearly 140,000 man-hours to assist with clean up and house repairs.²⁶⁹

2. Church Organization

The Church of Jesus Christ of Latter-day Saints claims to model its organization after the pattern established in the New Testament.²⁷⁰ The hierarchy consists of lay leaders from diverse backgrounds including business, law, academia, medicine, and public service among other specialties. They are asked to serve the church as “General Authorities” in a variety of roles and capacities and participate in the decision-making processes. This process involves the following governing bodies: the “First Presidency,” the “Council of the Twelve Apostles,” the “Quorums of the Seventy,” and the “Presiding Bishopric.”²⁷¹

a. Church Headquarters—General and Area Authorities

The first governing unit, known as the “First Presidency,” is led by the church President (also known by members as the “Prophet”), and two Counselors who assist the President in his responsibilities. The President has executive responsibility over all church affairs and policies.²⁷² The Council of the Twelve Apostles is the next

²⁶⁸ Maribeth Christensen, “Volunteerism.” In *Encyclopedia of Mormonism*, (New York: Macmillan, 1992), 1539.

²⁶⁹ “Ramping Up for Rita and Cleaning Up from Katrina,” Church of Jesus Christ of Latter-day Saints, <http://beta-newsroom.lds.org/article/ramping-up-for-rita-and-cleaning-up-from-katrina> (accessed 12/4/2010).

²⁷⁰ “Article of Faith 6,” Church of Jesus Christ of Latter-day Saints, http://scriptures.lds.org/en/a_of_f/1 (accessed 12/4/2010).

²⁷¹ Marvin K. Gardner, “General Authorities.” In *Encyclopedia of Mormonism*, (New York: Macmillan, 1992), 538.

²⁷² J. Lynn England and W. Keith Warner, “First Presidency.” In *Encyclopedia of Mormonism*, (New York: Macmillan, 1992), 512.

highest ranking unit and serves to assist the First Presidency by overseeing global church expansion and stability.²⁷³ These two bodies meet together weekly to coordinate, provide assignment and make decisions pertaining to the church.²⁷⁴

“Quorums of Seventies” help administer the decisions made by the First Presidency and the Council of the Twelve Apostles. As of October 2010, there were eight quorums with three hundred Seventies. The first two quorums along with seven Presidents are General Authorities and primarily live in Salt Lake City and oversee one of the twenty-six “Areas” of the church.²⁷⁵ The remaining six quorums live in their local regions and are called “Area Seventies.”²⁷⁶ Leadership in the twenty-six Areas oversees and assists local leaders.

Church leaders are also given access to additional resources that assist members and others during humanitarian emergencies or personal challenges. These resources are ultimately overseen by the “Presiding Bishopric,” which consists of three General Authorities responsible for physical operations of the church. These have been dedicated church leaders who have proven business and management abilities. They oversee how donations are received and expended, how worship facilities are created, built and maintained, and how membership records are accounted. Additionally, they oversee the operational elements and full-time staff of LDS welfare and humanitarian services.²⁷⁷

In addition to the previously mentioned resources available to General Authorities, there are five “auxiliary organizations” that offer support for more specific aspects of the church mission and serve as committee members in a variety of functions.

²⁷³ William O. Nelson, “Quorum of the Twelve Apostles.” In *Encyclopedia of Mormonism*, (New York: Macmillan, 1992), 1188.

²⁷⁴ W. Keith Warner, “Council of the First Presidency and the Quorum of the Twelve Apostles.” In *Encyclopedia of Mormonism*, (New York: Macmillan, 1992), 327.

²⁷⁵ “Area Leadership–2010,” Deseret News, <http://www.ldschurchnews.com/leaders/52070/Area-leadership---2010.html> (accessed 12/4/2010).

²⁷⁶ Ibid.

²⁷⁷ H. David Burton and Jr. WM. Gibb Dyer, “Presiding Bishopric.” In *Encyclopedia of Mormonism*, (New York: Macmillan, 1992), 1128.

The Church Education System (CES) is one such organization and focuses on the educational needs of church members. The church also has more than 50,000 full-time missionary volunteers supporting over 28,200 congregations to find and support new converts.²⁷⁸ These organizations are located in Salt Lake City and are supported by a salaried headquarters staff that assists the General Authorities, auxiliaries, areas, missions, and CES leaders in many capacities.

b. Local Structure-Stakes and Wards

Local operations are conducted at two separate levels—the “Stake” and the “Ward.” Between five and twelve wards or approximately 3,000 members constitute a stake.²⁷⁹ The term and concept of a stake is established in the Old Testament book of Isaiah. In this book, a reference is made to using “stakes” to secure a tent. The analogy is that the entire church (the tent) is only as strong as the more locally focused stakes.

In many respects, the organization of stakes is patterned after the higher levels of the church. They are led by a President, two counselors, and twelve additional men who assist the President in coordination and decision-making. Additionally, there are other leaders who perform specific support functions related to the physical and spiritual well-being of local members.²⁸⁰

Local Mormon congregations (“wards”) are comprised of between 300 and 600 people in a variety of geographic areas and are led by a “Bishop.”²⁸¹ Among other things Bishops are tasked to “seek out the poor and needy” in order to assist and strengthen them.²⁸² In order to assist the bishop with his responsibilities, wards are

²⁷⁸ “Statistical Report, 2009,” Church of Jesus Christ of Latter-day Saints, <http://lds.org/general-conference/2010/04/statistical-report-2009?lang=eng> (accessed 12/4/2010); Irene Hewette Ericksen, “Auxiliary Organizations” In *Encyclopedia of Mormonism*, (New York: Macmillan, 1992), 89.

²⁷⁹ Stan L. Albrecht, “Stake.” In *Encyclopedia of Mormonism*, (New York: Macmillan, 1992), 1411–12.

²⁸⁰ Kim S. Cameron, “Stake President, Stake Presidency.” In *Encyclopedia of Mormonism*, (New York: Macmillan, 1992), 1414–15.

²⁸¹ Douglas D. Alder, “Ward.” In *Encyclopedia of Mormonism*, (New York: Macmillan, 1992), 1541.

²⁸² “Welfare Lessons for Church Leaders,” Church of Jesus Christ of Latter-day Saints, <http://providentliving.org/content/list/0,11664,8981-1,00.html> (accessed 12/4/2010).

subdivided to ensure that each family or individual is integrated into the organization. Essentially, the ward organization is designed to increase social interaction, accountability and service between members.²⁸³ As these interactions take place it enhances the collective stability of the unit and provides a forum where needs can be identified and addressed.

3. Access to Resources

The church is an organization designed to assist members in meeting both physical and spiritual needs. This structure enables church leaders to maintain doctrinal consistency and provide assistance when necessary to meet family and regional needs. It enables constant interaction and mentoring from the most senior to very junior leaders. Additionally, the church relies on the volunteer efforts of its members in a variety of areas and everyone is given the opportunity to teach or serve in some capacity. When members are not economically self-sufficient, they are unable to effectively contribute their time or resources. As an organization, the church is dependent upon volunteer leadership and support, therefore it focuses its resources on enabling its volunteers.

With a clear leadership chain and access to resources, the church is able to assess needs on individual and regional levels and quickly respond. Leadership at all levels is trained to leverage available resources to serve the needs of current members and community members when possible.

4. LDS Welfare Services

The modern LDS welfare system began during the Great Depression in the 1930s. During that time, there was a dichotomy in the economic abilities of urban and rural members. Farmers were able to provide for their physical needs, but due to extremely low market prices, there were no incentives to harvest. Stake presidents arranged for

²⁸³ Alder, "Ward," 1541.

members living in urban areas to provide free labor to these farmers in exchange for a share of the crops. The church was offered the remaining harvest to place in storage facilities that enabled more central locations for distribution.²⁸⁴

During the past 75 years, the LDS welfare program expanded as the church purchased several “welfare” farms and associated infrastructure to produce, process and distribute basic food commodities.²⁸⁵ This agricultural capacity provides employment for a small number of people, service opportunities for general church membership and life sustaining resources for those struggling economically. Church members donated 763,737 man days to these operations in 2009.²⁸⁶

5. LDS Employment Services

Other resources are available to the unemployed, those seeking to improve their skillsets or simply change jobs. Employment assistance has been expanded to include more than 320 employment resource centers that offer employment counseling, mentoring, training, and placement services. Many of these are administered by retired church members who choose to serve as full-time volunteers.

In 2009, the church helped more than 103,000 individuals find jobs or training opportunities to enhance capacity.²⁸⁷ Additionally, a thrift store established by the church in 1938, has grown to forty-six stores in Arizona, California, Idaho, Nevada, Oregon, Utah and Washington. These serve to provide employment opportunities and training, along with clothing and other supplies to those in need.²⁸⁸

These resources are available for Bishops to assist people in need. For example, a

²⁸⁴ Garth L. Mangum, “Welfare Services.” In *Encyclopedia of Mormonism*, (New York: Macmillan, 1992), 1555.

²⁸⁵ T. Glenn Haws, “Welfare Farms.” In *Encyclopedia of Mormonism*, (New York: Macmillan, 1992), 1553.

²⁸⁶ “Welfare Services Fact Sheet–2009,” Church of Jesus Christ of Latter-day Saints, <http://www.providentliving.org/content/display/0,11666,9130-1-5201-1,00.html> (accessed 12/4/2010).

²⁸⁷ Ibid.

²⁸⁸ “Deseret Industries,” Church of Jesus Christ of Latter-day Saints, <http://www.providentliving.org/channel/0,11677,2022-1,00.html> (accessed 12/4/2010).

mother or father may have lost a job and is in need of assistance. The Bishop or his authorized representative will assess the family resource capacity and needs. By providing groceries along with other items, the family can allocate resources for other needs like rent or mortgage payments. Also, the family can use LDS employment services to acquire additional training or as a network to find possible opportunities. In the end, families maintain dignity, minimize stress and increase loyalty to the church.

6. LDS Education Services

Church leaders have emphasized the importance of education for personal and community development since the inception of the church. For Mormons, education not only serves as an investment in their future, it provides variety to life. In 1971, the Commissioner of Church Education said, “education is not only the key to the individual member’s economic future, but also to his opportunities for self-realization.”²⁸⁹

Latter-day Saints founded the University of the City of Nauvoo in 1841 offering a variety of languages along with math, literature, sciences and history. Despite the extreme hardships faced during their westward trek later in the decade, they were encouraged to bring “every historical, mathematical, philosophical, geographical, geological, astronomical, scientific, practical and interesting writings, maps, etc.”²⁹⁰

Education continued to be a priority as Mormons settled in the western U.S. Several educational establishments were created in the late 19th century, but many failed due to high operating costs relative to the growing supply of public education.²⁹¹ The most prominent and successful higher education establishments include the University of Deseret (later University of Utah) in 1850,²⁹² Brigham Young Academy (later Brigham

²⁸⁹ Neal A. Maxwell as quoted in William E. Berrett, “Church Educational System.” In *Encyclopedia of Mormonism*, (New York: Macmillan, 1992), 275.

²⁹⁰ David P. Gardner, “Education.” In *Encyclopedia of Mormonism* (New York: Macmillan, 1992), 443.

²⁹¹ Berrett, “Church Educational System,” 274.

²⁹² System, *Church History in the Fulness of Times: The History of the Church of Jesus Christ of Latter-day Saint*, 364.

Young University) in 1875,²⁹³ the Salt Lake Stake Academy (later LDS Business College) in 1886,²⁹⁴ the Bannock Stake Academy (later Ricks College, then Brigham Young University-Idaho) in 1888,²⁹⁵ and the Church College of Hawaii (later Brigham Young University-Hawaii) in 1955.²⁹⁶

The 1887 Edmunds-Tucker Act and increasing numbers of nonMormons moving into Utah created a demand to remove religious education from public schools. In response, the church created the Church Education System (CES) to provide religious education to its members. CES is divided into three areas: First, “Seminary” provides religious education to high school students. Second, “Institute” offers a higher level of religious study for university and college aged young adults. Third, CES oversees the four church owned colleges/universities.²⁹⁷ CES is overseen by a Board of Education consisting of the First Presidency and other high level General Authorities and auxiliary members.²⁹⁸

For development purposes, the LDS Institute of Religion provides the church with access to nearly 360,000 college age students at almost 2,600 postgraduate institutions. Full and part-time directors and teachers provide religious education, counsel, and otherwise interact with these students on a regular basis.²⁹⁹ It is through these networks that the church evaluates the needs of its young members seeking to improve their economic position.

²⁹³ System, *Church History in the Fulness of Times: The History of the Church of Jesus Christ of Latter-day Saint*, 412.

²⁹⁴ Ibid.; Kenneth H. Beesley, “LDS Business College.” In *Encyclopedia of Mormonism*, (New York: Macmillan, 1992), 816.

²⁹⁵ Scott Samuelson, “Ricks College.” In *Encyclopedia of Mormonism*, (New York: Macmillan, 1992), 1232.

²⁹⁶ R. Lanier Britsch, “Hawaii, The Church in.” In *Encyclopedia of Mormonism*, (New York: Macmillan, 1992), 579.

²⁹⁷ Gardner, “Education,” 444.

²⁹⁸ Berrett, “Church Educational System,” 275.

²⁹⁹ “CES Planning Guide 2011,” (Salt Lake City, UT: besmart.com (Church Educational System), 2010), 26–27; Stanley A. Peterson, “Institutes of Religion” In *Encyclopedia of Mormonism*, (New York: Macmillan, 1992), 684.

C. PERPETUAL EDUCATION FUND

As the church became increasingly global it discovered additional development challenges. When the Perpetual Emigration Fund ended in 1887, there were around 180,000 Mormons, of which the vast majority lived in Utah. By 1996, the church had more than 9 million members, and more than half resided outside of the United States.³⁰⁰ By this time there was a strong base of middle class members, and increasing membership coming from developing countries.

1. Problem of Development in 2001

As the church grew in the mid-1990s, economic disparity between the rich and poor became more pronounced in many developing countries. During this time, a growing number of Latter-day Saints were able to access to higher education, but at the same time a significant number could not provide for basic necessities. As young people from developing countries served two-year church missions, they often had a higher standard of living than while living at home. When their period of service ended, they returned home to the same impoverished conditions they left and often experienced destitution and despair.³⁰¹

From an institutional perspective, the church directly benefits from self-sufficient members who have the capacity to provide for economic needs and are willing to contribute time and resources to strengthen the church. Leaders sought to find ways to help members in developing countries without creating economic dependence upon the institution. The challenge was to assist people in a way that would be economically sustainable. Economic sustainability for the LDS church meant self-sufficiency or self-reliance. In other words, individuals are able to rely on their own skills, talents and

³⁰⁰ “Historical Chronology of the Church of Jesus Christ of Latter-day Saints,” Deseret News, <http://www.ldschurchnews.com/articles/58765/Historical-chronology-of-The-Church-of-Jesus-Christ-of-Latter-day-Saints.html> (accessed 12/4/2010).

³⁰¹ John K. Carmack, *A Bright Ray of Hope : the Perpetual Education Fund* (Salt Lake City, UT: Deseret Book, 2004), 14; Gordon B. Hinckley, “The Perpetual Education Fund,” Church of Jesus Christ of Latter-day Saints , <http://lds.org/general-conference/2001/04/the-perpetual-education-fund?lang=eng> (accessed 12/4/2010).

abilities to meet personal needs. This does not mean that individuals do not rely on the church for any assistance. In fact, individuals who accept assistance often become among the most generous contributors, but the church serves to fill gaps instead of providing a constant stream of welfare assistance.

Many Mormons who are not self-sufficient still contribute in whatever way they can, but since the church relies on local leadership to conduct many of its operations it is vital to develop leadership skills. In this case, the church began by focusing on assisting missionaries who returned from their missions. These young people spend between eighteen and twenty-four months of full-time service to the church. During this time, they develop leadership experience in how the church operates. When they return home, they have developed abilities that could be utilized to make them more effective community leaders. Some of these skills include public speaking (often in a foreign language), writing, management, general dependability and personal discipline. They are often motivated individuals willing to sacrifice to improve themselves and others. When they did not have the ability to sustain themselves, the church was unable to leverage their abilities for institutional strength.

The church also considered the challenges as a generational problem. When someone spends the majority of their time working to obtain food, clothing and shelter, there is little time to pursue self-actualization. Those who have children may want them to have more opportunities, but it is easy for these children to carry on similar patterns and habits thereby passing poverty from generation to generation.³⁰²

Although Mormons are generally a small minority in developing countries, governments benefit in many ways. Governments indirectly benefit as the church serves to buffer local economic challenges while encouraging activities that contribute to greater government stability. When any individual is able to be self-sustaining, social expenses and demands are reduced. As these individuals reach out to assist others, it accentuates desirable traits that strengthen stability.

³⁰² Hinckley, "The Perpetual Education Fund."

The development challenge was to assist members seeking to improve their economic value. For many, the opportunity costs for pursuing an education exceeded the potential return on investment. This was especially true for a liberal arts education in developing countries. Not only was there less access, but costs were generally higher. Credit was also generally unavailable or not affordable.

A remaining challenge was how to practically and simply apply principles of self-sustaining development. Leaders did not want to create a program that would be excessively bureaucratic and cost prohibitive. The program needed specific and achievable objectives that addressed the lack of skills facing many members in developing countries. In their eyes, endogenous development through technical education was the most cost-effective means of helping members help themselves and to provide support to existing institutional capacity.

2. Solution: The Perpetual Education Fund

President Gordon Hinckley announced the establishment of the Perpetual Education Fund (PEF) in March 2001. The fund was to be an endowment established by member donations that would be invested. Investment earnings would be used to provide loans to members in developing countries to attend school, obtain employment, and pay back their loans. Similar to the Perpetual Emigration Fund from the 1840s, these loans would serve to revolve in order to maximize the number of people who could benefit.³⁰³

Potential students were expected to take advantage of opportunities in the regions they lived. They would plug into the program through the local church Institute. Institute directors were to become increasingly familiar with educational opportunities in the area and would serve as advisors to students and bishops.³⁰⁴ LDS employment services were to be expanded to assist with training in such things as creating resumes, interviewing, and communicating.

³⁰³ Hinckley, "The Perpetual Education Fund."

³⁰⁴ Carmack, *A Bright Ray of Hope: the Perpetual Education Fund*, 179.

3. PEF: Organization

A retired General Authority was selected to serve as the Executive Director for the PEF, which was incorporated as a separate 503 nonprofit organization.³⁰⁵ The staff initially consisted of the Executive Director, a Managing Director, a Director of Operations, an experienced consultant and an administrative assistant.³⁰⁶ As the program grew, two retired husband and wife teams along with an accounting clerk and financial controller were added to the full-time staff.³⁰⁷ No PEF donations are used to pay staff overhead expenditures. Four of the eleven full-time staff members are paid employees, however, salaries and staff overhead are appropriated and supplemented through general church funds.³⁰⁸

The executive director reports to a larger church Board of Directors that consists of the First Presidency, two members from the Council of the Twelve, the Presiding Bishop, the General Relief Society President (auxiliary support leader), the senior Seventy and head of the CES.³⁰⁹

The established local church structure was in place to prepare and identify potential candidates. Bishops and stake presidents were familiar with individual circumstances and served to push forward those with the lack of resources. Institute directors interacted with young people during their religious studies and were trained to identify local educational opportunities.

4. How PEF Works

Following the initial announcement in March 2001, church leaders were overwhelmed with requests for information on the program. The small staff had international business, finance, and legal experience along with operating nonprofit

³⁰⁵ Carmack, *A Bright Ray of Hope: the Perpetual Education Fund*, 141.

³⁰⁶ *Ibid.*, 58, 78 and 101.

³⁰⁷ Carmack, *A Bright Ray of Hope: the Perpetual Education Fund*, 111 and 47.

³⁰⁸ *Ibid.*, 111.

³⁰⁹ *Ibid.*, 95.

organizations in Mongolia and other places.³¹⁰ Because of high demand and the desire to begin the program quickly, the staff was directed to begin initial operations in Chile, Peru and Mexico because of the high proportion of returned missionaries in these countries who needed assistance.³¹¹

The staff traveled to these countries to research available options and legalities. They visited banks, student loan companies, private NGOs and technical schools in order to examine development capacity. These visits resulted in enhanced operating practices that were adapted into the program. During these visits, the staff emphasized that PEF was not to compete with local capacity, but to enable its members the opportunity to participate in available programs.³¹²

5. Challenges

Since institutes in developing countries were the primary executors of the new program their workload significantly increased. As part of these increased responsibilities, directors and their staffs were to establish an increased awareness of local training and educational opportunities.³¹³ To handle these additional responsibilities directors received training from the PEF headquarters staff and authorization to increase their volunteer staff. Additionally, computers were provided along with specific software and Internet resources in areas they could be used.³¹⁴

As the PEF expanded in 2002 throughout all of Central America, South America and the Philippines the staff had to resolve various legal issues for each country. They

³¹⁰ Carmack, *A Bright Ray of Hope: the Perpetual Education Fund*, 102; “The Perpetual Education Fund,” Church of Jesus Christ of Latter-day Saints, <http://pef.lds.org/pef/aboutus?locale=eng> (accessed 12/4/2010).

³¹¹ “Conversation: Elder Carmack Speaks about the PEF,” Church of Jesus Christ of Latter-day Saints, <http://lds.org/ensign/2001/09/news-of-the-church?lang=eng> (accessed 12/4/2010).

³¹² Carmack, *A Bright Ray of Hope: the Perpetual Education Fund*, 108.

³¹³ *Ibid.*, 179.

³¹⁴ *Ibid.*, 141–42.

struggled with how to operate a global loan program in individual countries. To resolve these issues the church's legal team coordinated with lawyers in each country to address specific legal requirements.³¹⁵

6. Funding and Financing

Money contributed to the PEF is placed in a "corpus" managed by Ensign Peak Investments, the firm that manages many of the church's investments.³¹⁶ Each year, the PEF board of directors approves the amount to be allocated for loans, which is close to the anticipated amount the fund will earn in interest during the year. Since administrative and overhead costs are supplemented by the church, the fund is designed to stay focused on desired outcomes.

While the specific amount in the fund is not publicly released, the church has now likely met or exceeded its \$250 million goal.³¹⁷ To make donations easily accessible, the fund is included on the general donation form used by members to make contributions. The church highlights that hundreds of thousands of people have contributed to the fund, often expressing personal convictions about the program. The church emphasizes to participants that PEF loans represent the best efforts of the collective membership. In return, they are expected to give their best efforts to improve themselves and develop leadership skills that will benefit the church and their communities. (See Figure 3.)

³¹⁵ Carmack, *A Bright Ray of Hope: the Perpetual Education Fund*, 124–25, 148.

³¹⁶ *Ibid.*, 125.

³¹⁷ Travis J. Lybbert, "Exploring the Role of Spiritual Capital in Poverty Traps and Microfinance," *Faith and Economics* 51, no. Spring (2008): 68.

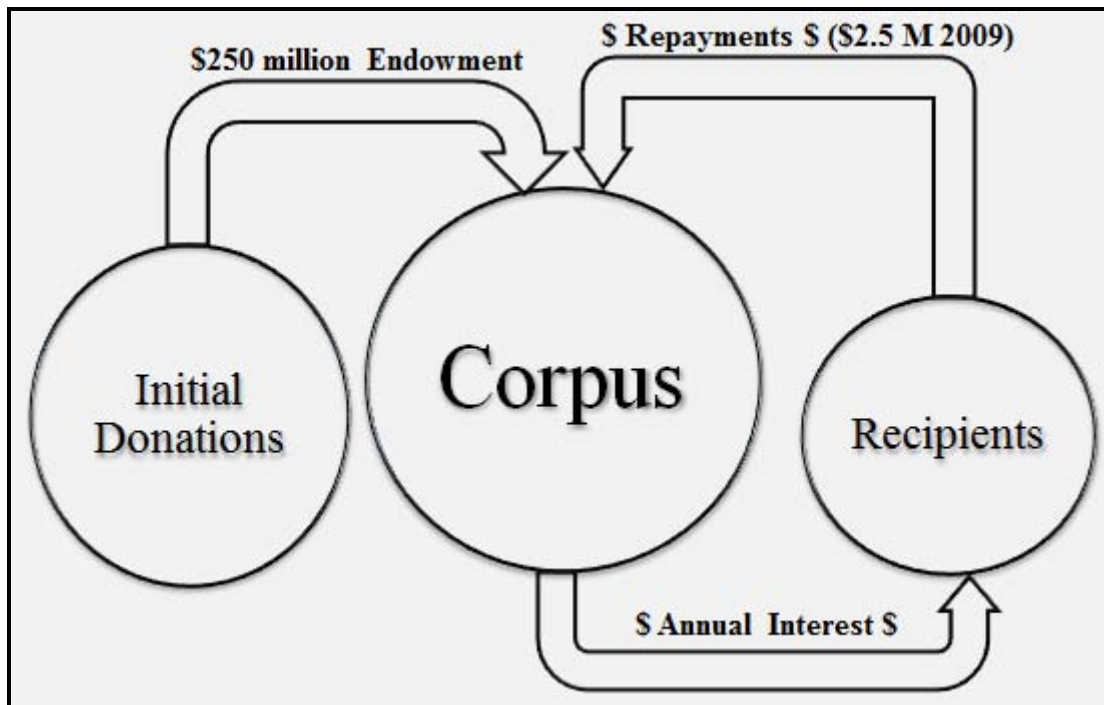


Figure 3. Corpus Funding and Financing

Participants who use the interest created by the fund are expected to pay it back within two to eight years. After they have been in school for three months, they begin paying small amounts, which are applied to the principal balance. Three months following graduation they make larger payments that include a 3% interest rate and applicable inflationary adjustments. When personal catastrophe or other significant events occur, the church serves to assist with appropriate adjustments.³¹⁸

Although loan amounts vary based on individual circumstances, the average loan size is around \$1,050.³¹⁹ While most pursue training at vocational schools that can be completed in two years, the church authorizes up to four years for qualifying members. Current participants attend training for an average of 2.7 years.³²⁰

³¹⁸ “PEF: Frequently Asked Questions,” Church of Jesus Christ of Latter-day Saints , <http://pef.lds.org/pef/faqhome?locale=eng> (accessed 12/4/2010).

³¹⁹ Lybbert, “Exploring the Role of Spiritual Capital in Poverty Traps and Microfinance,” 69. This estimate is from 2004. Stated estimate calculates annual cost increases of 5% from 2005 through 2010.

³²⁰ “PEF Progress,” Church of Jesus Christ of Latter-day Saints, <http://pef.lds.org/pef/pefprogress?locale=eng> (accessed 12/4/2010).

When available, the church sends the money to local banks or other institutions that directly pay schools and collect payments from participants.³²¹ This outsourcing activity enables the church to maintain focus on effectively administering the program, while strengthening institutional capacity in a developing country. Overall, the arrangement enhances the individual experience as they learn to work with financial institutions in managing debt, interest and credit.

7. The Operations

Leaders claim that PEF “does more than just provide a loan.”³²² The program is marketed with five steps. First, potential participants are to envision what they would like to achieve in life. Second, they are taught how to plan toward the larger objective. Third, if assistance is required, they learn how to apply for financing from the church. Fourth, if the plan and loan is approved, they further solidify their plans and commitment to repay the loan. Fifth, they execute the plan, find employment and repay the loan.

a. Step One: Dream

As a religious organization, the church seeks members to identify practical and spiritual commitment. At a minimum, each stake hosts an outreach program called the “PEF Fireside.” During this event, young people between 18 and 30 are encouraged to consider their futures and think about what they would like to become if given the opportunity. This is an attempt to get young people in less developed countries to look beyond immediate physical demands and envision themselves in a self-actualized condition. The program and its parameters are explained and those interested are encouraged to contact their leaders to pursue their options.

b. Step Two: Plan and Qualify

Potential applicants attend a more personally oriented “Planning for Success Workshop” that the local institute director conducts. During this workshop,

³²¹ “PEF: Frequently Asked Questions.”

³²² “Conversation: Elder Carmack Speaks about the PEF.”

individuals are assisted in conducting a thorough opportunity cost analysis so they can evaluate costs and options. Participants are also encouraged to keep a positive attitude as they search for personal options, learn to recognize the skills they have already, take advantage of available choices and evaluate potential careers. As they examine careers, they are assisted with efforts to research current and projected market conditions, potential salaries, entry requirements, schools that provide necessary training and potential sources for funding.³²³

After completing their research, participants evaluate and decide how to move forward. Some young people discover options previously unknown to them and pursue their goals without church assistance. Those who still need assistance are interviewed by their bishop and stake president to review their understanding of the program and their commitment to personal development, to the church and to paying back assistance after they receive it. Additionally, it is made clear that participants will sacrifice during their studies. This typically means that they will work part-time jobs and pay for their reasonable costs³²⁴

c. Step Three: Apply

Institute directors verify completion of the workshop and the viability of each individual's plan. Approved applicants are then provided computers and assistance to complete the local process and forward their information to a PEF loan committee in Salt Lake City. The committee reviews the plan, verifies alignment with strategic goals and approves funding.

d. Step Four: Commit

Institute directors again meet with approved applicants to finalize the process. This meeting requires future participants to bring the endorsement letter

³²³“Section 2: PLAN—choose Career,” in *Perpetual Education Fund: Planning for Success Workbook* (Salt Lake City, UT: Church of Jesus Christ of Latter-day Saints), 11.

³²⁴ “Perpetual Education Fund: Priesthood Leader Interview and Endorsement Form,” (Salt Lake City, UT: Church of Jesus Christ of Latter-day Saints).

completed by the bishop and stake president in step two, proof of attendance at religious studies classes provided by the institute, a completed employment, education and finance plan and an official statement from the vocational school stating the anticipated costs and any unique rules they may have.

e. Step Five: Study, Graduate, Improve Work and Repay

Most students complete their programs in less than two years, although some are authorized up to four.³²⁵ As the church researched how to best execute the PEF, they discovered from a student loan company in Chile that pay back rates increased significantly if participants began repaying very small portions of their loans while they were still students.³²⁶ For most students, the requirement is to pay \$5 per month while in school with growing amounts a short-time after graduation and employment.

Students continue to be supported by institute directors, local bishops and fellow members. They are encouraged to pursue real-world employment opportunities such as apprenticeships when they are available. As they near graduation, they attend a “Career Workshop” offered by LDS employment services to prepare for the demands of obtaining employment. This activity helps them anticipate and prepare for employment opportunities by practicing interview skills, writing resumes, and building networks among colleagues. With the increasing availability of computer and Internet technology the church makes many of these resources and contact information available online.³²⁷

³²⁵ “PEF: Frequently Asked Questions.”

³²⁶ Carmack, *A Bright Ray of Hope: the Perpetual Education Fund*, 109.

³²⁷ “PEF: Contact Us,” Church of Jesus Christ of Latter-day Saints, <http://pef.lds.org/pef/contactus?locale=eng> (accessed 12/4/2010).

D. RESULTS AND OUTCOMES

Although the church will miss its early predictions of 65,000 participants through 2010, more than 42,000 members from 45 countries had participated as of December 2009.³²⁸ Of those, 90 percent were meeting the terms of their obligations.³²⁹ As more participants graduate, payments continue to grow. In 2009, nearly \$2.5 million was paid by participants with more expected each year.³³⁰ It is desired that the amount repaid by graduating participants will equal the amount paid to participants entering the program thereby truly becoming revolving.

Most participants report that earnings are three to four times the amount they were making before beginning their education.³³¹ This is resulting in many reporting personal satisfaction and higher levels of self-actualization. Due to program structure, participants gain knowledge and experience with credit, interest and budgeting. Although these experiences are in a relatively controlled environment, they benefit individuals, families and communities.

It also appears that the church is meeting its institutional objective of developing loyal and competent leaders. As of the end of 2009, church reports from Colombia, Ecuador and Venezuela show that more than 10 percent of bishops or stake presidents are PEF graduates.³³² These leaders, who are expected to provide for their families and congregations, will serve as linchpins in eliminating the generational elements of poverty in the areas they serve.

Areas with high levels of unemployment or no technical training capacity have unique challenges. The church recognizes these circumstances and seeks to assist members by offering entrepreneurial training on how to begin and operate a small

³²⁸ Carmack, *A Bright Ray of Hope : the Perpetual Education Fund*, 168; “Perpetual Education Fund Achieves Milestone,” <http://www.ldsphilanthropies.org/perpetual-education-fund/news-features/perpetual-education-fund.html> (accessed 12/4/2010).

³²⁹ Lybbert, “Exploring the Role of Spiritual Capital in Poverty Traps and Microfinance,” 72.

³³⁰ Data received from David Day, 2010.

³³¹ “PEF Progress.”

³³² “Perpetual Education Fund Achieves Milestone.”

business through church leadership.³³³ Although the same level of institutional support is not available, the church seeks to find creative solutions to assist these members. It also believes that as development programs like PEF succeed, capacity will spread to more remote areas.

E. EVALUATING PLANNING CONSIDERATIONS

1. Recipient Objectives

The global reach of the LDS church gives it access to local volunteers. Its organization enables communication from local communities to higher representatives with access to resources. In this way, donors and recipients are unified and have common interests and manage concerns locally.

2. Stable Funding

Although the amount of the endowment is relatively high, it is designed so that investment interest pays for all educational expenses while the church pays for PEF administrative costs through other sources. Costs are shared by individuals who are required to pay as much as possible.

3. Self-Sustainable Development

The organization evaluates local needs through the educational system then provides personalized counseling to help individuals prepare for high-demand opportunities. Individuals who live in areas with few employment opportunities are provided encouragement and self-employment training.

The PEF concept is similar to a micro-financing program that provides assistance to potential entrepreneurs who are enabled to supply a market demand. The PEF approach is a whole-person endogenous effort that, in general, strengthens existing market capacity. New students create demands for existing vocational schools and local

³³³ “Conversation: Elder Carmack Speaks about the PEF.”

financial institutions. By encouraging self-employment where capacity is weak and by enhancing productivity in countries with even minimal capacity, the program encourages a sustainable free market.

Additionally, the program supports existing private and public institutions, thereby providing another layer of sustainability. As community relationships are strengthened additional channels of support are created. These relationships include existing government and NGOs that may rely on appropriations or donations. Strong support from public institutions combined with economically sustainable private institutions provides an ideal combination for sustainability.

4. Minimize Dependency

Free market economies benefiting from this program would not be dependent upon U.S. government appropriations or donations to NGOs for continued sustainability. Upfront appropriations would be required, but if they were later removed, recipient economic objectives could still be attained.

F. U.S. POLICY IMPLICATIONS

The LDS church has taken a sustainable free market concept and used its available structure and resources to apply a practical solution. They are able to control the majority of their costs by utilizing volunteers who are committed and organized. The greatest challenge for a government or NGO to duplicate the PEF concept would be how to generate local community support without losing the principles of self-sustainability.

As a religious organization, the LDS church has access to millions of loyal and committed members who are willing to contribute money, time and expertise to assist programs such as the PEF. These volunteers attempt to address the whole-person concepts of self-sufficiency and self-actualization and to strengthen communities with their efforts. Any application to a nonreligious environment would need a strong plan and willing participants to appropriately motivate and train a volunteer staff to execute many aspects of such a program.

This program serves as a possible pattern for how communities can increase wages and reduce the rich-poor gap facing many developing countries. In order to achieve success, any government program will require: (1) a well-managed upfront investment, (2) a plan to replenish expenses and keep costs relatively low, and (3) a competent organization that understands and brings together the local employment market with pertinent training opportunities. (See summary at Figure 4).

Purpose:

- Enable potential church leaders improved employment opportunities

Organizational Structure:

- Global, regional and local organization

Planning Considerations:

Recipient Objectives:

- Common church membership provides motivation to remain focused on recipient needs
- Institute directors and local leaders mentor young people to evaluate opportunity costs and establish individualized improvement plan

Stable Funding:

- Annual interest from \$250 million endowment pays for annual loans
- Cost-share: Loans are repaid by participants (\$2 million repaid in 2009)
 - See Figure 3

Sustainability through the Private Sector:

- Local leaders trained to evaluate local employment market and training opportunities
- Average participant reports earning three to four times more annual income

Minimal Dependency:

- Initial investment that becomes revolving minimizes potential for dependency
- Religious organization utilizes numerous convicted volunteers

U.S. Policy Implications:

- Initial endowment and short-term appropriations to establish program
- Biggest challenge would be minimizing costs with volunteers

Figure 4. LDS Perpetual Education Fund Summary

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VII. CONCLUSION

United States foreign assistance has been fraught with inconsistency since its inception. As a modern tool of national security it was designed to strengthen international relationships and build trust with U.S. partners. One of the great challenges in delivering effective foreign assistance is objective alignment—donors giving according to their national interests and recipients receiving according to their interests.

Maintaining alignment has presented a historical challenge. First, as U.S. security interests have changed, foreign assistance priorities have changed. Second, the principal-agent problem remains—political leaders are accountable to the American people so unless the people become convinced that long-term humanitarian objectives support American interests, there will be challenges. Third, budgets rise and fall due to numerous factors and, due to the principal-agent problem, budget items focused on foreign assistance will face political scrutiny.

In order to maintain focus on strengthening international relationships, strategic aid planners can improve operational effectiveness by focusing on the following four planning considerations: (1) maintaining focus on recipient objectives, (2) stable funding, (3) self-sustenance, and (4) minimizing dependency on U.S. appropriations or NGO donations.

This paper narrowed its analysis to three higher education foreign assistance cases. Each provides scholarships, loans or grants to individuals or institutions in developing countries. A variety of institutional perspectives have been selected. The Ford Foundation's International Fellowship Program is a socially oriented nonreligious NGO, the Church of Jesus Christ of Latter-day Saints Perpetual Education Fund is a religious institution and the USAID HED partnership in Mexico provides bilateral foreign assistance.

A. RECIPIENT OBJECTIVES

Ford Foundation and the LDS church have organizational structures and missions designed exclusively to meet recipient objectives. To execute local operations, Ford Foundation used its vast network of NGO partnerships while the LDS church used existing membership and local lay leaders. Both were aggressive in preparing individuals for their educational experience. Ford offered individualized counseling and training to prepare individuals for their fellowship experience. At the same time, they worked with higher education partners to lower entrance requirements and provide assistance throughout the fellowship. The LDS church helped individuals evaluate opportunity costs, goals, and local employment markets. They then crafted plans to help individuals succeed in their plans.

The USAID-HED TIES partnership with higher education associations sought to align American strategic objectives with Mexican objectives. Specifically, the TIES initiative sought to reduce the economic gap in Mexico. American colleges and universities partnered with Mexican institutions to achieve desired recipient outcomes. As a third party, HED managed the process of assisting recipients within USAID requirements.

B. STABLE FUNDING

1. Low Costs

Ford Foundation committed \$405 million to assist 4,300 projected participants. This amounts to approximately \$31 million per year or \$93,000 for each participant. From an appropriations perspective, a \$31 million annual commitment seems reasonable, however policy makers would need to evaluate the per person costs.³³⁴

The LDS church established a \$250 million endowment that seeks to use annual

³³⁴ Origin, Journeys, Returns, 4.

interest to assist an increasing number of participants. Thus far, more than 42,000 participants have benefitted from the program. Average loans have amounted to around \$1,050.³³⁵

HED has awarded around \$19 million to support 74 TIES partnerships. As of September 2008, more than 28,000 people have benefitted from training.³³⁶ Of these, there have been nearly 2,200 scholarships, exchanges or internships.

2. Cost-Sharing

The IFP has no cost-sharing program, while the PEF uses an institution to individual cost-share approach. LDS participants pay for as many costs as possible during their training, followed by complete loan repayment. The TIES program utilizes an institutional approach in which institutions pay for a portion of the program. Thus far, TIES partners have paid slightly over \$20 million.³³⁷

C. SELF-SUSTENANCE

Ford Foundation defines sustainability in terms of IFP graduates. These graduates are expected to return to their communities and apply lessons from their fellowship experiences. This approach has and will continue to benefit many communities, but IFP as a fellowship program will end in 2013. Although IFP was not designed to be self-sustaining, any future efforts may consider using an endowment to extend additional opportunities to targeted individuals.

The PEF uses its revolving fund to continue operations indefinitely. As long as the fund is well managed and participants repay their loans, the program will continue to benefit as many participants as desired.

Sustainability for USAID has broad meaning and TIES applicants define the parameters for each partnership. In general, public sector initiatives sought to be

³³⁵ Lybbert, Travis, *Role of Spiritual Capital in Poverty Traps*, 68–69.

³³⁶ “U.S.-Mexico Training, Internships, Exchanges, and Scholarships Initiative (TIES): A Model for Success,” 2.

³³⁷ *Ibid.*

sustainable by establishing institutional relationships. As institutions like universities or NGOs become involved in a project they will be more likely to invest their resources. Sustainability through private sector initiatives seeks free market solutions that will continue to generate necessary resources. As a result of these parameters, TIES partnerships had mixed results in creating self-sustainable programs. A variety of creative approaches used free market principles to enable private sector opportunities.

D. MINIMIZE DEPENDENCY

The IFP is entirely dependent upon Ford Foundation resources for execution. Although the program was designed to operate for a specific amount of time based on a large donation, other approaches are possible for future endeavors.

The PEF is not dependent on external long-term donations for continued operation. An initial donation is required, but the revolving fund design enables the program to continue for as long as recipients are willing to repay.

The TIES program has mixed results. Those programs that engage entrepreneurs and the private sector will have little need for continued appropriations. Those aimed at assisting public sector capacity without a plan for self-sustainability will require continued appropriations.

E. CLOSING STATEMENT

Each program offers lessons that can be applied in a variety of foreign assistance efforts. Overall, initial program design sets the stage for success, but U.S. planners need to be aware of the external factors affecting foreign assistance programs. Ultimately, government organizations are accountable to the American people, therefore, the principal-agent problem applies and budgets will shift. If foreign assistance is designed to build trust with international allies, then it is imperative to focus on their needs. Planners can assist by creating programs that address the four previously mentioned planning considerations.

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