
Jeffrey Sachs: The Budget for True National Security

Earlier this week the rumors flew that the [U.S. foreign assistance budget will be whacked](#) again. This is a pivotal time, therefore, to understand what to cut and what to increase in America's development aid. The record of the past 10 years tells us a lot about this important question.

What doesn't work is easy enough to see. Billions of dollars of U.S. «aid» were stolen in Iraq and Afghanistan, not so much by Iraqis and Afghans but by good old U.S. companies on contract to the Pentagon and State Department. Aid is a pretty elastic term the way it's used by the U.S. government. The U.S. pays out money to politically connected companies like Bechtel, Halliburton, Fluor, Dyncorp and others, for overpriced contracts on buildings that never get completed or that come in far above budget. The Special Inspector General later issues a scathing report on the lack of U.S. Government oversight. The companies up their campaign contributions, and the report gets duly filed.

We've lost billions, perhaps tens of billions, of dollars in this way. So, how do we prevent doing so in the future? The answers are clear. First, we need to blacklist companies that are found by the independent inspector general's office to have failed in delivery. Second, we need to take aid out of the hands of the State Department and the Pentagon, and place it again in a professional agency, specifically a reinvigorated US Agency for International Development (USAID). Third, we need to end non-competed contracts by giant companies for infrastructure projects, especially in corruption-ridden war zones.

Another kind of aid that has consistently failed is politically motivated aid: money to crony govern-

ments that we know to be wasting the money but to which we give anyway, ostensibly for foreign-policy purposes. That's much of the aid that goes to the corrupt governments of Afghanistan, Pakistan, Egypt, and others in our disastrously misconceived «war on terror.» How long will it take for the generals and diplomats to understand that you can't buy governments this way. They pocket the money and do what they like. Aid can help good government, but can't turn bad ones.

The kind of aid that has worked has been the opposite of the aid that has been wasted in the war zones and with corrupt governments. The highly effective aid has been directed towards specific, targeted development opportunities. It has been directed for very poor people, not for cronies or war zones. It has sought to fight poverty, hunger, and disease, not to create foreign policy alliances. While it has indeed helped to create stability and has combated terrorism, it has done so the smart way, by giving people hope, jobs, health, and prospects for their children.

The leading promoter of smart aid in the past decade was actually President George Bush. This is not easy for me to say, I must acknowledge, because Mr. Bush created far more disasters for our country and the world than he solved. But he did respond boldly to the AIDS epidemic and the challenge of malaria, and that is more than can be said about his predecessor, Bill Clinton, and his successor, Barack Obama.

George Bush enlisted the U.S. as a founding member of the Global Fund to Fight AIDS, TB, and Malaria. This fund has been remarkably successful in battling disease and saving millions of lives. Its methods are as transparent as the Pentagon's are murky.

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The Global Fund announces a «round» of financing. Countries apply for that money by submitting project proposals. Independent experts review those proposals, and send the approved proposals to the Fund's Board for financing. Then the Fund monitors the implementation of the program.

In addition to the Global Fund, Bush also implemented two U.S.-based disease control programs: PEPFAR, to fight AIDS; and PMI (the President's Malaria Initiative), to combat malaria. The Global Fund, PEPFAR, and PMI have in fact constituted a trio of effective institutions that have worked well together. There has been some corruption in these programs, of course, but because the programs are targeted at specific activities that are well monitored, the corruption can be caught early on, and the affected programs can be rescued, typically by a change of personnel in the health ministries of the recipient countries.

Ten years ago, critics of aid programs predicted that the Global Fund, PEPFAR and PMI would fail. Yet millions of HIV-infected people have been saved from death through proper treatments supported by the Global Fund and PEPFAR, and equally amazing, malaria deaths in Africa are now plummeting because of the effective programs supported by the Global Fund and PMI. The success is sweet: it adds up to millions of lives saved, and dozens of countries pulled back from the chaos of mass epidemic diseases. Economic growth is on the rise, as should be expected as major disease burdens are reduced.

Absurdly, despite these great successes, it is exactly these aid programs that are at risk of being slashed. And as Congress announces its intention to cut these hugely successful programs, there is no public outcry or even apparent concern. The politicians are willfully ignorant and heartless these days, while the public is confused.

There are three types of confusion.

First, in the public's mind, foreign aid is associated with the scandals seen in Afghanistan and Pakistan, not the successes seen throughout Africa in disease control. We should of course end the corrupt kind of aid while bolstering the successful and practical variety.

Second, the public vastly overestimates the actual amount of aid, roughly by a factor of 30 times. The public knows that the U.S. spends a fortune abroad, and thinks that much or all of that money is foreign aid. Actually the true fortune is spent on the military, not on aid. Our military spending is around \$700 billion per year, while our spending on aid for the poorest countries is \$25 billion maximum. If we cut \$200 billion in the annual military budget, and raised spending on the poor by \$25 billion, we would double aid to these countries; save \$175 billion per year; and achieve hugely improved national security as the poorest countries began to stabilize economically and in terms of disease and hunger.

Third, the public believes that aid to poor countries is a permanent «trap» for the U.S. budget. This too, thankfully, is a misunderstanding. Poor countries «grow up» and stop needing aid. We use the term «aid graduation» for this process. As an example, we no longer need to give aid to Brazil or Mexico or other middle-income countries. They have long since graduated from this need. In this sense, help for the poor is temporary, as it promotes economic growth and graduation. Successful aid, in short, drives itself out of business.

The short story for American security is that we are wasting a fortune on wars when a small fraction of that would and should enhance our national security by helping poor and unstable countries to control disease, boost food production, and protect the natural environment. Specifically, the U.S. should: (1) cut military spending by \$200 billion per year and use just an eighth of that, \$25 billion per year, to double our existing help for the poor and hungry

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nations; (2) invest in practical, targeted, and scientifically oriented programs like the Global Fund to Fight AIDS, TB, and Malaria, and a similar program to help poor farmers to grow more food; and (3) focus aid on closely monitored and highly practical programs, rather than on financial transfers to crony U.S. businesses and (other) corrupt governments.

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