

DO NO HARM? THE SECURITY DEVELOPMENT COMPLEX

AN INSTITUTE
FOR GLOBAL LEADERSHIP
DR. JEAN MAYER GLOBAL
CITIZENSHIP LECTURE

ASHRAF GHANI

Ashraf Ghani played a central role in the design and implementation of the post-Taliban settlement in Afghanistan, serving as United Nations adviser to the Bonn process and as Finance Minister during Afghanistan's Transitional Administration. He designed the national development strategy and carried out a series of successful reforms that won him Emerging Markets' Best Finance Minister Asia award in 2003. He served on the faculty of Berkeley, Johns Hopkins, and Kabul University and spent a decade at the World Bank, leading work on numerous country strategies. He has been nominated for the job of Secretary General of the United Nations and considered for the job of President of the World Bank. He is the founder and chair of the Institute for State Effectiveness. He is also the coauthor of *Fixing Failed States: A Framework for Rebuilding a Fractured World*. In February 2008, he received the Dr. Jean Mayer Global Citizenship Award from the Institute for Global Leadership at Tufts University. This is the address he gave then, with excerpts from the question and answer session.

What defines a life? A life comes out of a commitment. Mine was defined by my grandmother. She was an educated woman, a rare breed. My family has been dispossessed for seven generations, every generation. We lost everything. Every generation. Wrong side of a foreign invasion, wrong side of a civil war. But one of the outcomes was that at one point, all my family went into exile. As a result, my grandmother was educated. And when she came back, at the time when they did not believe in education, she insisted that we acquire education. In second grade, I refused to go to school one day, and it's the only time that she's touched me physically, saying that that was non-negotiable. Afterward, when she was complaining that I was spending too much

time on my Master's or my PhD, I would turn back and say, "Grandmother, you said that was non-negotiable."

The quest for learning has to come from a problem, and the problem that I've dealt with has been the question of how do you create a level playing field for people of diverse backgrounds in order to be able to join in a common quest for moving forward.

It is both an honor and privilege to be here with you to receive the Mayer Award, particularly because Jean Mayer exemplified what I'd like to call the best of pragmatic idealism. He deeply believed in equity and commitment to the

poor and saw public policy as the critical instrument necessary to create a level playing field for the excluded and underprivileged.

In preparation for this talk, I was reviewing Mayer's work and was struck in particular by the Lowell Lecture he made on 15 May 1989, and I would recommend that you all read it. He focused that day on food policy, arguing that, and I quote, "Science by itself does not constitute nutrition unless and until a program of action is incorporated as part of the discipline." Mayer pointed out that greater knowledge brings greater responsibility, and only if you involve the middle class in a reform effort involving the poor will you meet with success.

He also formulated the groundbreaking doctrine of nutrition rights, inspired by the concept of civil rights, which spearheaded the formulation of food programs in the U.S., targeting children in particular. Finally, he criticized the inefficiency of international aid, arguing that the generosity of spirit that produced the Marshall Plan had given way to ineffective and counterproductive aid practices. These insights are as relevant today as they were in May 1989.

I thought a focus on three issues that are of critical importance to us – hunger, development security, and the environment – would provide an interesting basis for understanding Mayer's impressions, exploring how the international aid syndrome is so ineffective, and how we can best improve the way things work.

The FAO (Food and Agricultural Organization) now estimates that about 850 million people around the world are currently undernourished. Isn't this the shame of our times? With so much plenty, still 850 million people undernourished. That's the dimension of the problem that Mayer identified that is clearly very much with us. The number of food and humanitarian emergencies has doubled, from 15 per year in 1980 to more than 30 since 2000, as a result of poverty, conflict, and natural disasters.

US food aid averages around \$2 billion a year in annual and supplemental funding by Congress, and the estimated number of beneficiaries has been around 70 million people. Two billion dollars but only 70 millions mouths fed because the cost of management and logistics constitutes 65 percent of US food aid. Sixty-five percent of the food aid is spent on management and logistics. The current rules and regulations that require support for the American private sector prevent efficiency. For example, cargo preference laws require 75 percent of food aid to be shipped on US flag carriers, which are more costly than many other national carriers. This inefficiency is counterproductive and avoidable, as Mayer well understood.

If we want to act pro-poor, we need to change the rules of the game that the powerful set for creating the instruments for working with the poor. Changing the playing field on poverty begins with the top. In Afghanistan, the unintended impact of food aid on the ground was the exacerbation of poverty and, at times, a shift to criminality.

Representing the Afghan government in 2002, I argued strongly with food providers that markets were efficient in Afghanistan and that given the seasonality of production, because we have a six-month period over which wheat matures, one needed to support the market to signal to farmers that their products were valuable. This required the use of modern technology to estimate domestic production and the careful use of food assistance at the right time and the right place. However, instead of a carefully calibrated strategy, the World Food Program (WFP) released large quantities of food indiscriminately. For the first time in our history, Afghan farmers found it unprofitable to harvest wheat because the cost of food at the market was lower than the cost of production.

In the next two years we also saw a massive shift in the production of opium. While there is not a direct cause and effect relationship between the two, it is indisputable that there was a lack of alignment between the type of support that would reinforce food production by the poor and the food damping approach by the international community.

The targeting of food distribution has been a huge problem. In Afghanistan, relying on cash for work would have reinforced local market relationships and investment in agriculture productivity, and would have been more successful. But the aid system acts against the rational interests of the poor. The core issue is that we need to deal with the causes of hunger, not the symptoms. The poor do not need charity. They need effective interventions. Charity makes us feel good, but it makes the poor feel awful. And we need to change this fundamental relationship.

Dealing with the causes means three central tasks. Firstly, renewing a commitment to pro-poor agricultural policies that reduce poverty. The nature of public intervention needs to be different, with an emphasis on building effective markets and ensuring that the United States and Europe reform agricultural subsidies. The amount that the United States and Europe provide in agricultural subsidies is the greatest disincentive to food production in the rest of the world. When 75 percent of US charity is spent on administrative costs, it is privileging a sector of American business, not the poor.

Secondly, we need to apply modern agricultural techniques where they are needed. The science of agriculture is very advanced, but it has yet to find its Jean Mayer, that is to find its champions that can turn the science into a basis for an agenda for action in developing countries. Land grant colleges, created and funded as part of pro-poor public policy in the United States, have played a vital role in the development of agriculture in the United

The FAO (Food and Agricultural Organization) now estimates that about 850 million people around the world are recurrently undernourished. Isn't this the shame of our times?

States. These colleges and the knowledge that they embody need to be linked to a global agenda for agriculture reform and to partner with institutions in developing countries.

And thirdly, social policies to reach the ultra poor need to be thought through. Current social policies, where it takes five dollars to deliver one dollar, are not the way to proceed. And we need to think about instruments again in fundamentally new ways.

Food aid is one aspect of aid. The aid discourse has become focused on poverty, empowerment, inclusion, gender – all the right words. But there is a disconnect between that discourse and the instruments for the realization of those goals.

Let me take just a couple of examples. American aid has been captured by a development security complex that is strongly entrenched to a powerful set of interest groups, such as shipping and agricultural lobbying, NGOs, and Congress.

The Government Accountability Office (GAO) explains that the Department of Defense continues to lack the capability to provide information on the totality of contractor support to deploy forces. In the Balkans in 2002, the Department of Defense was unaware of the number of contractors operating, the tasks they were contracted to do, and the government's obligations to these contractors under their contracts. The reports indicated that the situation in southwest Asia and Kosovo was similar in 2003. Their record of delivery of aid is damning in Iraq. The GAO has recently released the report entitled "Stabilizing and Rebuilding Iraq: Conditions in Iraq are Conducive to Fraud, Waste, and Abuse." That's the title. The report details a heavy reliance on contractors, with the Department of Defense entering into contract arrangements on reconstruction efforts that posed additional risks to the government, with officials again unable to determine how many contractors were deployed and therefore the costs of those contracts. As of March 2004, about \$1.8 billion had been obligated to reconstruction contract actions without the Department of Defense and the contractors reaching agreement on the final scope and the cost of the work. An additional \$18 billion was handled in similar ways. The net result is a lack of strategic focus. The report argues, "that US planning efforts have been plagued by unclear

goals and objectives, changing priorities, inadequate risk assessment, and uncertain costs."

In Afghanistan, as the person in charge of development planning between 2002-2004, my priority was to connect the Northern provinces with the South. I obtained financing from the World Bank which, through its procurement process, sent an American firm to carry out the construction of the Kabul-Kunduz road. I then focused on support for the Kabul-Kandahar road in the South. With support from USAID, the same American contracting firm was chosen. This firm promptly shifted all its attention to the southern road, because that was the priority of the US President, and entirely neglected the northern road. This caused immense political difficulties in terms of the perception of equity among northerners. I had promised change and had obtained the money to deliver on that change.

This had an incalculable effect on the government's legitimacy, given that building trust in post-conflict environments is an essential task. Most USAID contracts are assigned to six firms, all from around the beltway, which in turn subcontract out to as many as six layers. The end result is that as little as ten cents of every American dollar is actually spent inside the country it is purporting to help.

The Government of Afghanistan had a clear development strategy by April 2002, to which the rest of the international community was increasingly buying in. We convened the first Afghanistan development forum after the devastation of the Taliban, believe it or not, in April of 2002. In Kabul, chaired by us, and unlike any other meetings, I wrote all of the speeches of the foreigners. Because when the World Bank came to offer to write my speech I said, "This is what I used to do for others, why do I need you?" Then we developed a strategy to secure Afghanistan's future and that was presented to the international community in April of 2004, in Berlin, and received endorsements from over 60 finance and foreign ministers.

However, by the end of 2004, USAID, as again pointed out by the GAO, had not only failed to develop a strategy for Afghanistan for its own expenditures, but it actively refused to buy into ours, creating parallel institutions and

organizations. As a result, the public has become disenchanting with the slow pace of development and the lack of transparency and accountability of American-led development efforts. The developed world has developed a habit of lecturing to the underdeveloped world on its lack of accountability and transparency. I'd like to submit the evidence to you as to who lacks transparency and accountability.

The pattern that emerges from these examples is that outsourcing of government functions in the United States has reached a point where accountability has evaporated. Noble intentions are frustrated by the reality of practice. Time and again, audit reports point to the fact that food aid and foreign aid supervision are extremely limited, but little change is put into practice. Audit reports are fantastic documents if you really want to know what's happening. They require mastery of language as arcane as any, but once one has mastered it, they provide the dye that provides the food diagnostic. It is not enough just to focus on increasing aid.

There's a very well meaning lobby that keeps lobbying for an increase in aid without focusing on the delivery mechanism. Increasing aid without changing the delivery mechanisms and rules is not going to have any more impact on the poor. Current levels of aid could be made at least 20 or 30 times more effective. And that should be our first task, because without fundamental reform of the aid system in the United States and elsewhere, outcomes in terms of equity and opportunity for the poor will not improve.

Rules and regulations from the 1940s are not suitable for the 21st century context. America cannot claim to be the center of global competitiveness and the home of a vibrant private sector while simultaneously creating a security development complex that captures its aid. The United States is not anomalous in this regard. Most global aid, to various degrees, is captured by contracting firms. Therefore, the global rules that support this complex and prevent the creation of functioning states and functioning markets on the ground need fundamental rethinking. Witnessing the security development complex in action has led most non-governmental organizations and civil society groups working in developing countries to advocate the doctrine of "do no harm" as the first rule. Isn't this sad, that our first

rule of business now should be to preach to ourselves that we should do no harm, while continuously documenting that we are actually doing harm?

Civil society and universities here, the social organisms that underpin the vibrancy of the American middle class, need to be brought into this debate in particular. Unless these issues become issues of public discussion, they will remain marginal, and the effect will be the perpetuation of the current inefficiencies. After all, aid comes from taxes, and taxes are part of the social contract of the obligations and rights of citizenship. Hurricane Katrina showed that these failures are not confined to foreign aid operations. These implementation issues are as significant domestically as they are internationally, and they will only persist as environmental problems continue.

In a world that is one degree warmer, the western United States could once again be plagued by perennial droughts, devastating agricultural output, and the driving out of human habitation on an unprecedented scale. In a world that is two degrees warmer, in the southeastern United States, lower summer rainfall and soaring temperatures could slash sorghum and soybean production in half. In a world that is six degrees warmer, the entire global population might be living with, or dying, as a result of issues such as ocean stratification and hydrogen sulfide poisoning. Our global systems are of human making, but not of human design. The future is becoming more difficult, so the more we postpone action, the greater the problem. We must be proactive rather than reactive, and the entire nature of public policy now needs to be geared towards coherence. This in turn requires a medium and long-term view as an issue of design. The consequences if we do not start thinking in this way are almost too devastating to imagine.

In the past, public policy has assumed that the future is either benign or improving. Today, with the environment, we don't have that luxury. We need to think about the consequences of our actions now and rethink the nature of public consensus and action, vis a vis 20 years ahead of time. Waiting to react, as Katrina showed, is only going to have devastating results. The global poor are the most vulnerable to the threats emanating from food, security,

AMERICAN AID HAS BEEN CAPTURED BY A DEVELOPMENT SECURITY COMPLEX THAT IS STRONGLY ENTRENCHED TO A POWERFUL SET OF INTEREST GROUPS, SUCH AS SHIPPING AND AGRICULTURAL LOBBYING, NGOS, AND CONGRESS.

and environmental issues. Not only do we need to focus on the relationship between short and medium term action in these realms more consciously, we also need to map backwards from our shared future objective to today's organizational constraints and deduce how best to remove these constraints.

This requires concerted action at the local, national, regional and global levels. As John Dewey once remarked, "Only continuous inquiry, continuous in the sense of being connected as well as persistent, can provide the material of enduring opinion of our public matters." Because these issues are global, the public that is affected by them is global. One of the most significant challenges for us now is how to exercise public power. If we are to tackle the key challenges of our times, we must reach a consensus on the role of national and international public institutions in the 21st century.

In his Lowell lecture of 1989, Jean Mayer concluded, "We need a change in priorities, a conversion, if you believe with me that greater knowledge brings greater responsibility. We have the knowledge and have very little excuse."

This plea for a change in priorities has never been more pertinent. The aid syndrome is part of a pathology and, like any pathology, needs reform. But reform cannot come without debate through public discussion. Only in this way can the disconnect between theory and practice be overcome. Universities, particularly distinguished ones such as Tufts, cannot be ivory towers. I know that programs like EPIIC are not attempts at being ivory towers, but rather attempts to be in the world and to change it. They have to be part of the vibrant tissue of debate and discussion and provide the ground for the formulation of alternatives to present reality. Dealing with causes rather than symptoms requires a major focus on institutional design, and the nature of public power is central to this.

Our view of public power has to change from an instrument of constraint to a tool for enabling the achievement of collective objectives and aspirations. We live in an interconnected world, and we cannot tackle global issues in isolation. The clash of civilizations can only be a self-fulfilling prophecy. To avoid this requires revisiting the design of international organizations and aid, and the United States must play a

central role in this process. Honoring Jean Mayer is a way for us to engage with both the enduring challenges that he was cognizant of and the enduring legacy of hope that he has left us with. Human agency is and can be the major instrument of global reform. We must change our minds and reorder our priorities. Our survival depends on it.

Excerpts from the question and answer session

Laura Kaplan, sophomore

When you were speaking of the farmers in Afghanistan and their ability to compete with farmers in the United States because of subsidies given by the United States government, I couldn't help but think that in the *New York Times* recently there has been a focus on Afghanistan regarding opium. Do you think the focus in Afghanistan on the opium trade is a result of lack of opportunity in other farming markets?

A.G.

Thank you for the question. First of all it's not just the United States. The European Union has the largest amount of subsidies for extremely ineffective farmers. My first point is a level playing field. The World Bank and IMF would not lend to any country that subsidized its agriculture and dismantled half of the agriculture in Africa on the basis of that doctrine. Look at peanuts in Senegal, or other sets of activities. If it makes such good economic sense that the poorest countries should not engage in that practice, what is the justification for the richest countries? So my first point is about creating a level playing field. Either economics is national and actually subordinate to a political economy of power in a consensus, or it's a science. Currently, it is not a science; it's an art. Second, in 2002 (in Afghanistan) opium was rare. Food aid became a driver of opium. The current food subsidy policy is that the United States will only give food assistance in kind. It refuses to provide food assistance in cash. What's the difference? If you provided food assistance in cash, one, the cost of transport and administration would drop very significantly. It would signal to regional markets and national markets that food production domestically and regionally is critical to relief of emergencies. There is not a part of Afghanistan that you could not reach through the market mechanism. The issue was not the lack of access; the issue was lack of money to buy. We [Afghanistan] have known the market for a couple thousand years and yet we are being treated as though we were from the Stone Age and did not know how the market functioned.

Food companies, particularly wheat companies during the height of the Soviet Union, perfected the art of predicting harvests, because their future depended on it. How much the Soviet Union was going to buy was a critical driver of the foreign market. With that kind of technology, you could predict very reliably what the harvest would be and based on that could design a food distribution system to reinforce rather than destroy. What happened was the exact reverse. So this is the point about Mayer's point, we have the knowledge but we don't put it to use.

Now, regarding opium, there are two sets of issues. One is criminality. Twenty individuals in Afghanistan control the entire heroin trade. Not a single person in this

country or in Europe or in any others is willing to name them or to take legal action against them. So one cannot practice both hypocrisy and cooperation. At the farm gate, the price of opium coming in is about \$850 million to \$1 billion per year. So it's a \$24 billion industry, \$22 billion of which is outside of Afghanistan. And every single nation along the way is involved. Why are we not focusing on the rest of the \$22 billion? This is, again, the level playing field argument. The cost of heroin in London is cheaper than a cappuccino. It has dropped continuously every year over the last ten years.

Last point, the answer to opium is global market relationships. I could design a system here with scientists and a variety of experts to be able to get agricultural productivity to the level of industrial development. But the world has to make a choice. What's the choice? Legalize drugs, then opium becomes a commodity. And as any economist would tell you, Afghanistan would have no advantage in growing opium globally. There are hundreds of other places that could grow it better, and there'd be no demand. Why is that not being done? Because the politics of the middle class in this country (US) is not going to accept it. No politician is going to come out and stand up and run for election on the basis of legalization. If that is your political constraint, don't force me to cut the heads of the farmers there. We have to talk sense to each other. Here, there is politics as a constraint. There, it is no politics as a constraint. Alternatively, come with an economic design strategy that we think is necessary to get out of this. At \$1,000 income per capita legally, there is no opium production. It doesn't make sense because it is back breaking work. So cotton will not compete with opium, but t-shirts will. Now the question is, will people be willing to create the conditions for the production of t-shirts?

Raoul Alwani, sophomore

I keep thinking about the example you used of how the WFP kind of messed up the food market. I don't think they would intentionally screw up the market. But after conflicts, maybe markets aren't running as well and people are in need of food but maybe they can't get it. How do you balance short-term needs with those in the long term?

A.G.

First, you're assuming the WFP is a functioning organization with accountability and transparency. Let me bring one thing to your attention, this is the same UN agency that refuses to provide audit reports to its Board of Governors. So its Board of Governors, the people who are providing the money, are actually not provided with the reports.

Secondly, organizational interests are now running wild. If you read the Oil-for-Food Inquiry, that's one of the most intense. The extent of corruption in running of food for aid becomes very clear. What is the nexus? Every single company in the developed countries and in the developing countries was involved in this scandal. So, corruption has become organized, it is not disorganized. Take another 5,000 pages of reports from the UN's own inspectors – I had to consider this because I was a candidate for becoming Secretary-General of the UN and I had to examine the materials. So we are dealing with an organized series of interests that do not have accountabilities. As citizens, we assume good intentions and say x amount of money has to go to humanitarian purposes because we have not thought through the problems of implementation. Implementation is messy,

that's why it's not sexy. That's why the ivory tower does not teach it. You know what you are required to know at the World Bank, only how to operate the fund. There is not a single course on how to manage a project, nor is there one at the UN. It evolves. Everybody makes mistakes and they learn. Does formal economics give you the grounding for running a large scale project at the World Bank? No, but that is the type of recruitment the World Bank is doing. So there are lots of mistakes...What we now need to hold ourselves responsible for are the unintended consequences of policies that we practice. Because it's the result, not our intentions and this means really thinking from the objective backwards because now we know the patterns.

Austin Siadak, sophomore

In terms of the US Government not providing cash, was it based on the fungibility of monetary aid or deeper-seated economic and political interests within the bureaucracy itself?

A.G.

This is one area where someone from Boston, the former director of USAID Andrew Natsios, tried to break this nexus. He completely failed in Congress. The set of interests that have benefitted are enormous – the shipping lobby, the farming lobby and the NGOs. Unless the nexus is broken, it has nothing to do with fungibility.

Ina Breuer, Project on Justice in Times of Transition

You have been considered as both a candidate for Secretary-General of the United Nations and as head of the World Bank. From your perspective, what reform process do these institutions need to undergo?

A.G.

First of all, in terms of the UN, it will take ten years. It is really broken. The Secretary-General is far more Secretary than General. And that's the way it is designed. The beginning of the reform of the UN is going to begin from money. One thing that I learned from Max Weber that has been profoundly effective in my life is, he said that those who don't work need to

Rules and regulations from the 1940s are not suitable for the 21st century context.

be supported by others. He said follow the money. And it has been a remarkable guide. The core of it, \$10 billion a year, now is spent on peacekeeping. And another \$10 billion is spent on the rest of things. Gaining control and establishing the right mechanisms of accountability is critical to reform. Second, it is a people's issue. The UN should be a global body that really recruits globally. Instead, recruitment in the UN is one of the most patronage-ridden sets of operations that the world has seen. The opportunity here is that close to 30 percent of the UN staff is going to retire in the next four years. I would spend easily – if I was in charge of global policy – \$100 million dollars to buy the current staff of the UN out and begin fresh. The current staff did not reach out to this generation. When it could have made one of the most significant alliances of development, where the brightest minds of the world, based on competitive recruitment, are made to understand, both theoretically and directly, consummate poverty, it didn't. It should be a badge of honor, and they should live on the front lines for six months to a year so that theory and practice are really combined and a community develops where the major preparation for working at the UN takes place.

Then it's selectivity. I would abolish most of the UN agencies overnight and focus on three to four key issues. The model of technical assistance was a 1945 conception – that every single thing can be done through tech assistance. Five million dollars a year goes to technical assistance in Africa to employ 60,000 people from developing countries to write the reports for people in developed countries that no one is going to read. Accountability does not come through reporting in that manner.

In terms of the World Bank, the core issue is that there are about 100 countries that require assistance during the next 20-30 years. And one needs to be able to think about the economic system as a design issue, not as an issue of doctrine, and really connect and acquire the set of capabilities for these countries. That requires a complete set of capabilities that one can use to work across development security to bring a holistic perspective. When I became Finance Minister, I wanted to build a functioning ministry, not one in my image. I asked the World Bank and the IMF two questions: What should the ministry of finance do? What should it not do? It took them six months and they came back with a series of dysfunctional case studies. They did not have the knowledge.

/ END