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Post-9/11 U.S. Foreign Aid, the Millennium Challenge Account and Africa: How many Birds can One Stone Kill?

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Keywords

African and African American Studies, poverty, terrorism, foreign aid regime

Disciplines

Military and Veterans Studies | Peace and Conflict Studies | Social Welfare | Urban, Community and Regional Planning | Urban Studies and Planning

Comments

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*Post-9/11 U.S. Foreign Aid, the Millennium Challenge Account and Africa: How many Birds
can One Stone Kill?*

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Abstract: President George Bush presented one of his major post-9/11 foreign aid initiatives – the Millennium Challenge Account – as a tool for counteracting both global poverty and international terrorism. The policy is based on the view that poverty and terrorism are linked and therefore alleviating poverty would help combat terrorism. The design and the implementation of the program however suggest that the U.S. government may have other intentions for the MCA, including overhauling the foreign aid regime. This paper discusses the MCA's effectiveness in addressing both poverty and terrorism by highlighting the complex relationships between them. It also discusses the others roles of the MCA and explores the implications of the policy for poverty alleviation efforts in Africa.

Introduction

President George W. Bush went from an opponent of U.S. engagement in poor and troubled areas of the world that are of little strategic importance to the U.S., to a champion of foreign aid to such countries within one year after his election. Since then, he has attempted to increase U.S. foreign aid to historic levels. His trademark policies have included the Millennium Challenge Account (MCA) announced in March 2002 at the Monterrey conference, which promised to increase the U.S. foreign aid budget by 50 percent over the fiscal year (FY) 2000 budget. In addition, his 2003 State of the Union address asked Congress to commit \$15 billion over the next five years to combat HIV/AIDS in Africa and the Caribbean. The proposal was signed into law in May of the same year. Although these initiatives are not directed exclusively to Africa, it is expected that the continent will get large shares of these funds. Thus, Africa can be seen as occupying an important place in post-9/11 U.S. foreign policy. Several reasons have been put forward to explain the Bush administration's increased attention to Africa, including fulfilling the president's agenda of "compassionate conservatism" and the pursuit of new oil supplies and access to other resources in Africa (Smith 2004; Abramovici 2004).

Using the MCA as a case study, this paper draws attention to the importance of the September 11 (henceforth 9/11) terrorist attacks in understanding changes in U.S. foreign aid, and highlights the multiple and conflicting objectives of the post-9/11 U.S. foreign aid strategies. The MCA program was presented as a tool for addressing what many consider the greatest challenges facing humanity in the twenty-first century: the threat of global poverty and international terrorism. The MCA program is based on the claim that global poverty and international terrorism are linked and therefore alleviating poverty would help combat terrorism.

The design and the implementation of the program, especially the criteria for selecting eligible countries and the creation of a new body (Millennium Challenge Corporation – MCC) to disburse the funds, however, suggest that the administration also had other intentions for the MCA: to overhaul the post-9/11 U.S. foreign aid regime. This paper discusses these multiple objectives of the MCA program and the implications for poverty alleviation for Africa. The specific questions include: (i) What is the relationship between terrorism and poverty? (ii) Can the MCA program be a tool for global poverty alleviation and an anti-terrorism strategy? (iii) What other roles are the MCA expected to play and how effective would it be? (iv) What are the implications of the MCA program for Africa?

The remainder of the paper is divided into five sections. The next section provides an overview of the MCA program. This is followed by a discussion of the post-9/11 debate over the linkage between global poverty and international terrorism. It also examines the effectiveness of the MCA as both poverty alleviation and anti-terrorism strategy. Section four presents the MCA program as part of a broader U.S government’s foreign aid strategy. The implication of the poverty-terrorism linkage assumption and potential impacts of the MCA on Africa are considered in section five. This is followed by a conclusion in section six.

The Millennium Challenge Account

On March 14 2002, President Bush surprised many when he announced his proposal to establish the MCA designed to increase U.S development aid to poor countries by \$5 billion over three years beginning in FY 2004. The proposal was significant because it came from a conservative President whose Republican party has had a record of long-standing antagonism towards foreign

aid. It was also surprising to many because the President had spent months rejecting calls to increase foreign aid, arguing that much of U.S foreign aid has been wasted. Moreover, he had also indicated during the 2000 presidential campaign that poor nations that have no geopolitical significance to the U.S (which at the time would have included many Africa countries) would not be a priority of his administration (see Hesse 2005). All these changed with the 9/11 terrorist attacks which brought the tragedy of international terrorism to the forefront of American public interest. The attacks seem to have convinced the President to reexamine the isolationism ideas that underlined his foreign policy views and helped transform him into a champion of foreign aid for poor countries.

In proposing the MCA, the President outlined two striking characteristics of the program that deserve greater scrutiny. First, the MCA program was presented as a tool for fighting poverty and terrorism. Coming just after 9/11, the MCA was presented as a strategy for combating global poverty not only for its own good, but also as part of the war on terrorism. Indeed, poverty and terrorism were cited as the reason for establishing the MCA: “We also work for prosperity and opportunity because they help defeat terror. Yet persistent poverty and oppression can lead to hopelessness and despair. And when governments fail to meet the most basic needs of the people, these failed states can become havens for terror.”¹ Second, the MCA program was also seen as an opportunity to restructure U.S. foreign aid policy in four important ways. First, the president promised to increase the U.S. foreign aid budget by 50 percent over the FY 2002 budget. This would reassert the U.S leadership role in international development assistance and help reverse the decrease in global foreign aid (World Bank 1996). Second, the objectives assigned to the MCA were significantly from past U.S. foreign programs. Specifically,

the MCA was expected to shift the focus of U.S. foreign assistance to narrow and clearly defined objectives; provide assistance to only few selected low-income countries that have sound development policies; allow recipient countries to play a greater role in program design, implementation and evaluation; and lower bureaucratic and administrative costs of aid disbursement (Radelet 2003a). Third and related to the above, the MCA is expected to be politically neutral – i.e. allocation of the funds would not be influenced by strategic considerations. As the President Bush explained, MCA funds will only go to low income countries that “govern justly, invest in their people and encourage economic freedom.”² This objective of the program underlines the transparent eligibility criteria (See Table 1) and the use of publicly available data for determining eligibility for MCA assistance. In theory, any independent researcher using these criteria and the publicly available data can produce a list of MCA eligible countries – in fact some researchers have already undertaken such analysis (see Brainard, et al 2003; Radelet 2003b).³ Fourth, instead of relying on the United States Agency for International Development (USAID) to implement the MCA program, a new body, the MCC was created to administer the MCA.

How does the MCA program works? Each year the MCC publishes a list of *MCA threshold* and *MCA eligible* countries which are selected through a competitive process. The former includes all countries that meet the eligibility criteria for the year (Table 1), while the latter are countries invited by the MCC to apply for MCA funds based on the country’s performance in the following categories – ruling justly, encouraging economic freedom, and investing in people (Table 2). For instance, in the FY2004, the 16 MCA eligible countries were selected from 63 MCA threshold countries (Table 3). The MCA eligible countries are invited to

submit funding proposals developed through a broad domestic consultative process and coordinated with the overall national poverty alleviation strategy in consultation with the MCC. As at January 2007, 10 MCA eligible countries have signed MCA Compacts (Table 3).

[Insert Tables 1, 2 and 3 here]

MCA as a Poverty Alleviation and an Anti-Terrorism Tool?

The use of the MCA program as an anti poverty and anti terrorism tool is based on the assumption that poverty and terrorism are linked. Indeed, President Bush was very emphatic about this linkage in announcing the MCA when he declared that, “We fight against poverty, because hope is an answer to terror... We’re pursuing great and worthy goals to make the world safer, and as we do, to make it better. We will challenge the poverty and hopelessness and lack of education and failed governments that too often allow conditions that terrorists can seize and try to turn to their advantage.”⁴ The poverty-terrorism relationship was also stressed in the 2002 National Security Strategy (NSS). According to the NSS, “Poverty does not make poor people into terrorists and murderers. Yet poverty, weak institutions, and corruption can make weak states vulnerable to terrorist networks and drug cartels within their borders.” It is important to note that linking poverty and security is not new in U.S. foreign policy. A similar argument was made during the Cold War. The argument at that time was that poverty bred discontent and discontent increases the allure of Communism. Eliminating poverty was, therefore, important to eliminate the causes of discontent and stop the spread of Communism. The poverty and terrorism relationship is complex and hotly debated (see Lancaster 2003). Thus formulating foreign aid

policy based on such a linkage may be problematic. Below I discuss the problems with this reasoning and explore the policy implications.

Are there Linkages between Global Poverty and International Terrorism?

The debate over the causes of terrorism is often hampered by a lack of a universally accepted definition of terrorism. The purpose of this paper is not to get involved in this definitional debate.⁵ I define terrorism simply as the calculated use of violence or threat of violence against civilians in order to attain goals that are political, religious, or ideological in nature through the use of intimidation, coercion or instilling fear. I focus on international terrorism, which I define as terrorism involving citizens or the territories of more than one country (Krueger and Maleckova 2002). This definition of terrorism and the focus on international terrorism should not be seen as attempts to belittle the severity of threats posed by domestic terrorism. Neither does it infer that terrorism only originates from poor countries. It does not also imply, as recent events seem to suggest, that terrorism is limited to the Middle East or Islamic countries. The Oklahoma City bombing, the activities of the Irish Republican Army (IRA) and the Basques Separatists of Spain demonstrate that terrorism can and does originate from developed countries, occur in non-Islamic countries, and that not all terrorists are international.

The debate over the causes of terrorism predates 9/11, although the discussion in the past focused on the Middle East (Merari 1998). An important concern in the post-9/11 world has been the relationship between poverty and terrorism – specifically whether poor people are more

likely to commit terrorist acts. The abject poverty in Afghanistan and Sudan, countries that provided safe havens for Osama bin Laden and his al'Qaeda operatives, provides much of the justification for this linkage. Supporters of poverty-terrorism linkage argue that although some perpetrators of terrorism may not themselves be poor; terrorists often come from societies that are poor. Thus, one cannot look at the characteristics of individual terrorists and conclude that there is no relationship between poverty and terrorism; rather we need to look at the characteristics of societies in which terrorism thrives (Ehrlich and Liu 2002; Homer-Dixon 2001). Post-9/11 supporters of the poverty-terrorism linkage also include many world leaders and members of the international development community such as U.S President, George W. Bush, the former United Nations Secretary General, Kofi Annan, and the former World Bank President, James Wolfensohn. Probably the most ardent supporter has been Mr. Wolfensohn, who never passed over an opportunity to warn the developed countries of the risks of the exclusive use of military might in the war against terrorism. For instance, he warned the U.S. Council on Foreign Relations that "Knocking off heads of fundamentalist organizations is no doubt meritorious, but it will not deal with the question of fundamental stability" (DevNews 2003a). He argued that in the war against terrorism, "the most important thing is to give people possibilities and hope by solving the problem of poverty. And I don't think that problem can be solved with security and military power. Of course that is also necessary, but in order to make long-term strategy, it needs to encompass poverty alleviation" (DevNews 2003b).

Others however question the poverty and terrorism linkage and insist that terrorism has deep and historic roots that go beyond simple economics. According to this view, terror does not need poverty in order to grow and prosper; rather terrorists utilize every ill and every good

within society to achieve its own dark purposes (Neumann 2002). Terrorism is viewed as reaction to others' actions and a symptom of an imbalance of power (Khashan 2003; Abadie 2004). Although the popularity of this view was challenged, especially during the immediate aftermath of the 9/11 attacks, it is supported by most of the empirical studies. For instance, Russell and Miller's (1983) study of 18 revolutionary groups concluded that "the vast majority of those individuals involved in terrorist activities as cadres or leaders are well-educated. In fact, approximately two-thirds of those identified terrorists are persons with some university training" (p.55) and most "come from affluent, urban, middle-class families, many of whom enjoy considerable social prestige" (p.60). A more recent study by Krueger and Maleckova (2002) focusing mostly on terrorism in the Middle East also came to a similar conclusion. The authors argue that terrorism is often "a response to political conditions and long-standing feelings of indignity and frustration (perceived or real) that have little to do with economics" (Krueger and Maleckova 2002:1).

In the context of post-9/11 poverty-terrorism debate and especially relevant for Africa, it is important to remind ourselves that *the vast majority of poor people around the world are not terrorists*. While the abject poverty in Afghanistan and Sudan may have provided safe havens for Osama bin Laden and his al'Qaeda operatives to plan their attacks⁶; evidence from around the world does not support such a simplistic causal relationship. As Carol Lancaster (2003) argued in commenting on the NSS, few of the world's well known terrorist groups in recent years are rooted in poverty or have the goal of its elimination, including the Irish Republican Army (IRA); the Basque Fatherland and Liberty (ETA) in Spain; the Red Army and Aum Shinrikyo in Japan; Timothy McVeigh and militia groups in the United States; Hamas in Israel and Hezbollah in

Lebanon; the Revolutionary Armed Forces of Colombia (FARC) in Colombia; the Pakistanis in Kashmir; and the Chechens in Russia. Moreover, a cursory look at the U.S. State Department's (2003) list of terrorist groups and their locations indicates that Sub-Saharan Africa, arguably the poorest continent, has few terrorist organizations. None of the groups in the region were in the 2003 U.S. State Department's designation of Foreign Terrorist Organizations (FTOs).⁷ These observations support Smith's (2003) claim that poverty may be related more to civil wars than to international terrorism. They also suggest that although some poverty-stricken countries and/or failed states may be the locus of terrorist activities, one cannot assume a direct causal relationship between poverty and terrorism.

Many analysts are more concerned about the policy implications of the post 9/11 embrace of poverty-terrorism linkage. As Krueger and Maleckova (2001) argue, linking poverty and terrorism is potentially dangerous for the global poverty alleviation effort. According to them:

Drawing a false and unjustified connection between poverty and terrorism is potentially quite dangerous, as the international aid community may lose interest in providing support to developing nations when the imminent threat of terrorism recedes, as much support for development waned in the aftermath of the Cold War; and connecting foreign aid with terrorism risks the possibility of humiliating many people in less developed countries, who are implicitly told that they receive aid only to prevent them from committing acts of terror. Moreover, premising foreign aid on the threat of terrorism could create perverse incentives in which some groups are induced to engage in terrorism to increase their prospects of receiving aid... Falsely connecting terrorism to poverty serves only to deflect attention from the real roots of terrorism (Krueger and Maleckova 2001: 1).

In sum, the causes of terrorism, including the 9/11 terrorists attacks, are more complex than the economic interpretations⁸ evoked by some. While this realization may come as a disappointment to those who saw the attacks as an opportunity to galvanize support for global

poverty alleviation program, it is still important to remind ourselves that “alleviating poverty is reason enough to pressure economically advanced countries to provide more aid than they are currently giving” (Krueger and Maleckova 2002:1). In other words, global poverty alleviation efforts should focus on the poor because they are poor not because they are potential terrorists.

Can the MCA be a Solution to both Global Poverty and International Terrorism?

Given the lack of direct causal relationship between poverty and terrorism, can a policy be designed to address both problems? As already indicated both President Bush and the NSS stress the linkage between poverty and terrorism and suggest that an increase aid for poverty alleviation would help reduce the threat of terrorism. This argument raises important policy questions. Is this interpretation an indication of U.S. commitment to address the fundamental causes of global poverty and thereby reduce global terrorism threats? Or is it an attempt, as others have argued, to blame the economic conditions in poor countries and reduce the historical, political and social roots of terrorism in order to justify a continuation of the hegemonic neoliberal agenda (Soederberg 2004)? In other words, are anti-poverty programs a good way to fight terrorism? Can the MCA alleviate global poverty and reduce the threat of global terrorism? The design of the MCA program limits its potential effectiveness for reducing global poverty and curbing terrorism.

MCA as a Merit-Based Strategy; Poverty as a Need-Based Problem

A major challenge for the MCA program as an anti-poverty tool is that although global poverty is a need-based problem, the MCA is a merit-based program for rewarding low income countries that implement “good policies” (see Section 2). In fact, the use of economic performance and

good governance as the basis for allocating MCA funds dovetails with the international donor community's shift from policy-change conditionality of the 1980s and 1990s to policy-level conditionality.⁹ Policy-level conditionality is based on research that suggests that aid is more effective in countries with good macroeconomic and trade policies, strong investments in health and education, good governance, and less corruption, but has little or no effect on growth in countries with weak policies and high corruption policies (Burnside and Dollar, 1997; World Bank, 2001b). This approach to foreign aid has become attractive because it enables donor countries to be selective and limit aid to countries with "good policy environment" (Dollar and Levin 2004).

There are certainly many compelling reasons not to waste aid resources on corrupts regimes, however, using good policy environment as the criteria for disbursing aid is problematic, if the main objective is poverty alleviation.¹⁰ Poverty is a need-based problem and therefore a strategy for addressing it should focus on people who lack basic necessities of life, irrespective of where they may be living. For instance, most of the desperately poor people in the Africa live in countries with failed states such as Somalia, Burundi, Liberia, Sudan, and Cote d'Ivoire. Since most of these countries have "poor policy environment," they are excluded from access to MCA funds, yet these are the places where the MCA funds would be most needed if the purpose is alleviation of poverty. As Radelet (2003a) suggests, the selectivity of MCA means that the funding would go to the easiest cases among poor countries while ignoring the more desperate countries. Moreover, by focusing solely on the current economic, social and political indicators, MCA would punish countries for past mistakes but do little to help leaders who are taking bold steps to rid their countries of past problems.¹¹ In addition, the merit-based criteria

contradicts the poverty-terrorism basis of the policy – i.e. if we accept that terrorism thrives in nations where failed states provide safe havens for such activities is correct, then failed states such as Sudan and Somalia should be the major recipients of MCA funding.¹² In sum, the merit-based criterion for distribution of MCA funds undermines the poverty alleviation objective (and therefore, the anti-terrorism goal) of the program.

MCA as a Politically Neutral Policy; Terrorism as a Geopolitical Problem

Another problem with the MCA program relates to its promise of political neutrality in the disbursement of funds (see Section 2). This new approach to aid disbursement could potentially benefit African countries because the continent as a whole has not benefited much from the use of U.S. aid as a foreign policy tool to further its strategic priorities. For instance, during the 1940s, much of U.S. foreign aid went to the reconstruction of war-torn Europe through the Marshall Plan. This plan, along with the military and economic aid assistance programs to Greece and Turkey amounted to 82 percent of U.S. bilateral aid between 1946 and 1952. Asian countries, particularly U.S. allies such as South Korea, Taiwan, and South Vietnam were the main beneficiaries in the 1950s and 1960s. The U.S. priorities shifted to the Middle East in the 1970s, especially to Israel and Egypt after the Camp David peace accords – since 1979, Middle Eastern countries have received about half of all U.S. bilateral aid (CBO 1997). Except for the early 1960s, Latin America received little aid from the U.S. (except for Columbia, which is currently a leading recipient of U.S. aid as part of the U.S. war on drugs). Africa's share of U.S. aid has barely exceeded 10 percent of U.S. total foreign aid (Table 4). The use of U.S. aid as a foreign policy tool became painfully evident during the debate at the United Nations Security Council on the 2003 invasion of Iraq. When the debate became protracted and the U.S. began counting votes

of the Security Council members, there were public discussions by media analysts regarding the amounts of foreign aid the U.S. gives to the developing countries serving on the Council. The idea was that such countries couldn't afford to "offend" the U.S. in voting against the invasion.

[Insert Table 4 here]

So far, there is little evidence that indicate that the allocation of MCA funds has been politicized.¹³ In fact, of the 63 MCA eligible countries identified for the FY 2004, 31 of them were in Africa.¹⁴ Similarly the 16 countries selected for the FY 2004 and FY 2005 and the 23 countries for the FY 2006 MCA funding are, by all indications, among some of the poor nations – their per capita incomes range from \$200 in Mozambique to \$1250 in Cape Verde, with the median country income of \$600.

While the politically neutral nature of the MCA is commendable, it makes the program an ineffective tool for anti-terrorism efforts. Reducing terrorist threats requires that policies and strategies focus on countries that pose serious terrorist threats. The 9/11 attacks and the subsequent war on terror brought this reality home to many in the U.S. and has drawn attention to the areas that should be targeted as part of the anti-terrorism strategy. The U.S. State Department compiles such lists annually and the 2003 list included areas with terrorist bases, those that have suffered or stand the risk of suffering terrorist attacks, and those that play important roles in the war on terrorism either because of their locations or contribution to the effort (State Department 2003).¹⁵ Some of these geopolitically important areas are certainly poor; but most do not have the policy environment that would qualify them for MCA funds – in fact, almost all MCA eligible countries to date do not have either FTOs or other terrorists groups within their territory.¹⁶ However, for the MCA to be useful tool for counteracting international

terrorism, its funds must target poverty not only in countries that can potentially create terrorists, but also those that do harbor such groups.

The ability of the MCA to address problems of poverty and terrorism is further undermined by the fact that the program is implemented exclusively through the national governments. This arrangement makes it impossible to use MCA funds in situations where funding could have direct impact on terrorism, especially in poor countries such as Somalia that pose significant terrorism threat but have a weak state or poor policy environment. The ability to by-pass national governments and disburse MCA funds directly through local and foreign non-governmental organizations (NGOs) would be useful in such situations. Thus, for the MCA to an effective poverty alleviation and anti-terrorism tool, it should be flexible enough and be able to use NGOs to reach poor people living in countries with failed and weak states that would otherwise not have access to the funding.

MCA as part of Broader U.S. Foreign Policy Strategy?

While the MCA's effectiveness as a poverty alleviation tool or an anti-terrorism strategy remains doubtful, the program's place in the broader post-9/11 U.S. foreign policy strategy is more obvious. Two factors provide the basis for this claim. The first one involves attempts to shift U.S. foreign aid allocation away from the USAID, signified by the creation of a new administrative structure (MCC) to implement the MCA. The other factor concerns the U.S. government's apparent shift towards unilateralism in international affairs (Pieterse 2004; Kolko 2003), also reflected in the MCA's failure to recognize and liaise with existing poverty

alleviation initiatives of the international community. Below, I discuss the MCA's effectiveness in achieving these foreign policy objectives.

MCA as a Strategy for Transforming U.S. Foreign Aid Disbursement

The MCA program can be seen as part of the effort to change U.S. foreign assistance, which has historically been the domain of the USAID. Many conservatives have long questioned the effectiveness of the USAID's programs in promoting growth and development, and some have called for a complete restructuring of the agency. For instance, Senator Jesse Helms, a Republican from North Carolina, known for his opposition of U.S. foreign aid, often accused the Clinton administration of wasting taxpayers' money on foreign aid that produces no results.¹⁷ Criticisms of the USAID have also come from academics such as Clad and Stone (1993:196), who declared that: "After 45 years American foreign bilateral assistance program lies dead in the water. Its principal flagship, the United States Agency for International Development has become a dispirited bureaucracy lacking leadership resources and rationale." Clad and Stone (1993) go on to suggest that the best solution would be "to scuttle America's bilateral aid program."

The introduction of the MCA program provided an opportunity for the Republican administration to create an alternative channel for disbursing foreign aid and to reduce the centrality of USAID. The creation of the MCC to manage the MCA program is a way to achieve this objective. It is important to note that the administration's other foreign aid initiative – the new HIV/AIDS program is also managed by the State Department rather than USAID (Smith 2004). The high profile of the membership of the MCC board¹⁸ and the high publicity of its activities are indications of the centrality of the MCA in the administration's overall foreign

policy strategy. Although some of the criticisms of the USAID are warranted, the decision not to reform it but to create an alternative channel for disbursing aid is troubling. As Brainard, et al (2003:146) have argued, “the president’s decision to *design around USAID rather than reform* it has been interpreted as a clear vote of no-confidence, contributing to low morale among the staff ...” (emphasis added). The difference between the mandates of the MCA and the USAID also poses a threat to USAID and there are fears that the MCA could undercut existing poverty alleviation initiatives of USAID. For instance, the MCA’s focus on poor countries with better macroeconomic environment and governance means that USAID will be left with the “high maintenance” poor countries, making its programs prone to failure. Moreover, USAID is not likely to enjoy the same level of protection against geopolitical considerations that are built into the MCA. It is also important to note the recent appointment of Randall Tobias as both USAID Administrator (USAID has been moved to the State Department) and the first Director of Foreign Assistance, a new position created by Secretary of State Condoleezza Rice to oversee foreign aid programs. Before his appointment, Tobias was the CEO of Eli Lilly and Co, a giant pharmaceutical company and health activists have opposed his appointment on the grounds that his plans to integrate aid with security goals will threaten USAID humanitarian priorities (Bristol 2006). In sum, the establishment of the MCC and the use of different criteria for disbursing MCA funds are tantamount to setting up the USAID for failure and invite frequent congressional scrutiny, which may eventually lead to the elimination of the agency.

The new arrangement for the MCA also poses challenges to the implementation of the program itself. For instance, the failure to tap into the extensive experience and connections of USAID staff for the implementation of the MCA and the lack of clearly defined roles for the

MCC and USAID threatens to create competition between the agencies that should compliment each other. Moreover, the stringent criteria for allocating MCA funds as well as the problems of setting up a new mechanism for re-channelling U.S. foreign assistance have combined to slow the pace of MCA implementation. By June 2005, the MCC had disbursed funds to only two countries (Madagascar \$108m and Honduras \$215m) and had approved funding for other two countries (Nicaragua and Cape Verde). Concerns about the slow pace of disbursement of MCA funds prompted five African leaders to complain to President Bush during a White House visit in June 2005. Few days later, Mr. Paul Applegarth, the former Chief Executive of the MCC resigned his post.¹⁹ Since then, the MCC has made significant progress in the allocation of the funds (Table 3).

MCA and Post-9/11 U.S Unilateralism

The MCA program is also significant in its disregard of decades of experience accumulated by the international development agencies in aid disbursement and poverty alleviation. Since the late 1990s, there had been a renewed commitment in the international development community to global poverty alleviation and a renewed urgency for the search for effective poverty alleviation strategies (Kanbur and Squire 1999; World Bank 2001a). Under pressure from world public opinion, especially from the Jubilee 2000 movement for debt cancellation, the World Bank and International Monetary Fund (IMF) came up with the Heavily Indebted Poor Countries (HIPC) Initiative in 1996 to provide debt relief for some of the poorest countries. In 1999, HIPC was revised to include more countries and a requirement that all eligible countries submit Poverty Reduction Strategy Papers (PRSPs) to be used as the basis for providing debt relief and

IMF concessional lending (World Bank 2001a). The United Nations' Millennium Development Goals (MDGs) adopted in September 2000, represent another effort by the international community to reduce poverty levels by half between 1990 and 2015.²⁰ Although the effect of these policies on poverty, especially in Africa, has been disappointing (Dembele 2003; UNCTAD 2002),²¹ the wealth of experience accumulated could have been tapped by the MCC planners instead of starting from scratch.

Although many of the poverty alleviation programs have similar objectives as those of the MCA, the architects of the MCA did not coordinate with any such programs and so far, the MCC does not seem eager to work with any international agency or take advantage of their resources and experiences. The MDG is the most comprehensive effort by the international community under the banner of the U.N for attacking poverty in its multiple dimensions. Lack of funds has been one of the major problems for achieving the MDG (Sachs 2005), and therefore the infusion of MCA funds into the MDG would not only have helped in achieving the program's objectives; it would also have demonstrated U.S. commitment to working with other development partners in the common objective of poverty alleviation. Similarly, the requirement that all MCA eligible countries develop proposals before assistance is granted is similar to the IMF/World Bank policy of requiring countries to prepare PRSPs for HIPC funds. The experiences of the IMF and the World Bank in helping poor countries to put together proposals that require public participation would have come in handy for the administration of MCA (IMF/World Bank 2002).

Moreover, the MCA does not dovetail to the strengths of existing regional initiatives. In Africa, for instance, there was a good opportunity to demonstrate in practical terms the MCA's commitment to genuine partnership. As part of the New Partnership for Africa's Development (NEPAD), African leaders had come up with a voluntary self-monitoring mechanism known as African Peer Review Mechanism (APRM) – a program that has been praised by many world leaders, including U.S. officials as an important step in promoting economic and political governance in Africa (Owusu 2003). Under the APRM arrangement, African leaders have committed themselves to periodic peer review guided by the parameters of good political, economic and corporate governance (NEPAD 2003). The APRM criteria are similar to the MCA criteria for selecting eligible countries. The inclusion of APRM review as one of the factors for determining MCA eligibility in Africa would not only have legitimized this budding regional initiative (Kanbur 2004); it would also have given the MCA selection process a regional character that is so far lacking (Brainard and Driscoll 2003).

In sum, the MCA looks more like an extension of U.S. unilateralism in foreign policy (Pieterse 2004; Kolko 2003) to development aid – a field that already has many uncoordinated players (Coates 2004; Owen 2003). Such lack of coordination of foreign aid has led to the wasting of enormous resources in the past; a problem articulated by the former World Bank president James Wolfensohn and Norway's Minister of International Development, Hilde Johnson: “Without coordination, without harmonization, we are wasting resources, creating a complicated and unnecessary bureaucracy, and often putting a heavy burden on developing countries. This is a waste of resources none of us can afford” (DevNews 2004)

Post-9/11 U.S. Foreign Aid Strategy and Africa

Africa is in the direst situation in terms of poverty. About half of the 300 million people on the continent live in abject poverty, and unlike the other developing regions, the number of poor people in Africa is increasing. Fewer than 50 percent of Africa's children complete primary school; HIV/AIDS and other public health epidemics have combined to drastically reduce life expectancy in the continent; and cycles of drought are the norm. As a region, sub-Saharan Africa has also been the least beneficiary of the globalization process and its record on poverty-reduction has not been particularly impressive even during the global economic growth of the 1990s. The number of people living on less than \$1 a day increased from 47 percent in 1990 to 49 percent in 1999 and is projected to drop to only 46 percent in 2015 (World Bank 2001b). In brief, the region continues to languish as an enclave of despair with the potential for causing instability, resentment, and social breakdown. Although Africa has not yet become a hot spot for international terrorism, the widespread poverty, civil wars, conflicts and failed states could potentially create such an environment. The question is, will linking poverty to terrorism help galvanize international support for poverty alleviation in the continent or will it push the concerns of Africa's poor to the background and divert resources to other regions?

Bullard's (2002:34) argument that the poverty-terrorism linkage is a convenient way to divide the world into "the good, the bad and the poor who might become bad if they stay poor" and to justify an "anti-terrorist development strategy" is a good starting point for discussing the MCA's impact on Africa. Pursuing poverty alleviation as an anti-terrorist strategy, means that one is concerned about poor people not for the sake of their poverty, but because poor people pose a threat to rich people. With this reasoning, Africa becomes a potential fertile ground for

terrorists and Africans as “the poor who may become terrorists.” Such reasoning underline the Heritage Foundation’s Carafano and Gardiner (2004) case for an “anti-terrorism development policy” for Africa: “with the United States on the offensive in the Middle East and Asia, Africa could be the next hot spot for al’Qaeda’s mischief. In particular, the United States must remain alert to the rise of African states that might foster global terrorism.” Such claims are problematic because even though such potential exist in Africa, there is no evidence yet to suggest that the continent is or becoming a major recruiting region for international terrorism, despite the widespread poverty in the region. Indeed, Africa is important in the overall war on terrorism not only because Africa’s poor may become terrorists, but also because Africans have born the brunt of terrorism as victims – as the 1998 bombings in Kenya and Tanzania that collectively killed over 250 people and injured nearly 5,000 others (mostly Kenyans) show. Africa is also important in the U.S. war against terror because the continent has the resources that could help reduce U.S. dependence on Middle Eastern oil (Abramovici 2004; Smith 2004; Carmody 2005). Thus, whether seen from a humanitarian point of view or from an instrumentalist view (motivated by self-interest), the MCA program has important policy implications for Africa. Below I discuss why concerns over poverty alleviation efforts in Africa under the post-9/11 U.S. foreign aid program may be justified.

First, the poverty and terrorism linkage could shift the focus of poverty alleviation from those with the most need – many of whom are in Africa. It is true that 9/11 attacks brought the plight of the world’s poor to the attention of many in the developed world; but it is also true that the challenges facing many poor people around the world, and especially Africa’s poor who do not pose direct terrorist threat, are being ignored. The post-911 conflation of poverty and

terrorism in international development discourse threatens to shift the focus of the international community, especially the U.S. away from poverty to terrorism. For instance, it is possible that MCA funding may decrease as the U.S. shifts more of its resources to deal with war and reconstruction efforts in Iraq, Afghanistan, Lebanon, etc.²².

Second, there are concerns over the increasing securitization of Africa, which has resulted from viewing the continent through the terrorism lens (Carmody 2005). As Mark Duffield (2001) argues, the lines between development and security have been blurring and converging since the 1990s with significant implications for the politics of development. Tujan, Gaughran and Mollett (2004) argue that the increasing focus on counterterrorism and security has influenced aid allocation and the nature of donor co-operation with developing countries. Abrahamsen's (2004) discussion of Britain's post-9/11 dealings and interaction with Africa is useful for understanding the emerging relationship between Washington and African countries and therefore worth quoting here. According to her, Britain's interaction with Africa is

gradually shifting from a category of 'development/humanitarianism' to a category of 'danger/fear/security'. This is not merely a question of 'rhetoric' or representation. Identifying something as a security issue is not an innocent practice, but has political implications and changes the legitimate mode of engagement with a particular problem ... Framed as a development/humanitarianism issue, Africa encourages compassion and particular policy responses formulated by and implemented primarily by the Department of International Development. Approached as a security issue, by contrast, Africa may encourage fear and unease and this may in turn facilitate policy responses of a more militarised and illiberal nature, shifting the responsibility towards the foreign and Commonwealth Office and perhaps also the Ministry of Defence (Abrahamsen 2004:680)

The increasing securitization of Africa is troubling (Abramovici 2004), and using the poverty-terrorism linkage as a way of seeking foreign aid will only exacerbate the trend toward securitization.

A more practical question concerns the impact of the MCA program on Africa's poor. The MCA is still a new program and therefore one can only speculate about its potential effects. In any case, the impact of the program on Africa would depend on how much of the MCA aid actually reach African countries; and whether the money would be used to address the real concerns of the poor. Regarding the availability of MCA funds for African countries, three trends provide clues of what should be expected. First, MCA funding is being threatened by a deteriorating budgetary outlook in the U.S. and the fiscal demands of the war on terrorism. Already, there are indications that the actual MCA disbursements would be significantly lower than the \$10 billion suggested by President Bush. A report by the Center for Global Development (CGD) and the Center on Budget and Policy Priorities (CBPP) suggests that the President's actual request for the MCA in the 2004–2006 budget was less than 4 billion. Even worse, the Congressional Budget Office (CBO) estimates that the actual MCA spending from 2004-2006 will be only \$1.7 billion or 17 percent of the president's initial public commitment (see Table 5).

Another concern was whether geopolitical considerations can be completely kept out of the allocation of the MCA funds. While this concern is very real due to the history of U.S. foreign aid allocations, (Radelet 2003a), so far, there are only minor indications that the funds are being used to reward U.S. allies. For instance, although the list of MCA threshold countries

in the past three years have included U.S. allies such as Columbia, Jordan, Egypt, Iraq, Afghanistan, Pakistan, etc., none of these countries have been declared MCA eligible and in fact, the list of MCA eligible countries for the fiscal years 2004, 2005 and 2006 do not exhibit any such obvious signs.

A related concern is the relative importance of the MCA funds in the global poverty alleviation efforts. So far, it does not appear that the MCA will have the kind of impact on global poverty alleviation efforts that many imagined when the program was first announced. For instance, of the 63 countries declared eligible for MCA funding for FY 2004, only 16 were selected for funding. The number of countries can however be deceptive, because their combined population represent only a small fraction of the world's poor. The 16 countries include such small countries as Vanuatu (pop 200,000), Cape Verde (pop 500,000); and have a combined population of only 136 million. Seven of them have populations of less than 6 million²³. Moreover, the total amount appropriated for FY 2004 was one billion compared to the proposed \$1.7 billion. This pattern did not change significantly in the FY 2005 and 2006 (see Table 5). A report prepared for the U.S. Congress lamented about the lower-than-anticipated funding levels of the MCA Compacts. According to the report, during the confirmation of hearing of the MCC's new CEO, Ambassador Danilovich, he noted that the MCC was "meant to create transformative programs" and in order to do so, "future Compacts will generally need to be larger than those signed thus far" (Tarnoff 2006).

In sum, although so far there is no evidence of using MCA funds being systematically used to reward U.S allies, budgetary constraints have resulted in a significant trimmed-down

version of the program. In addition, the impact of the program has been less than expected in terms of their dollar amounts and the number of people who are benefiting from it.

[Insert Table 5 here]

The question of whether the MCA will fund projects that actually benefit the poor is important in assessing the programs impact on poverty alleviation in Africa. Although GNP per capita is one of the indicators used in determining MCA eligibility, the MCA is silent on the definition of poverty or who exactly the poor are. Would the funds be used to provide the poor access to basic goods and services? Or will the program fund private sector initiatives and hope that the benefits will spread to the poor? Already, it looks as if the latter approach is the preferred one. In order to be approved for MCA funds, the selected countries must submit a proposal outlining the kinds of projects they intend to spend the MCA funds on. While this process could ensure the accountability of local political elites, it also means that officials in Washington would have a hand in determining projects that can be funded with MCA money. The MCA Compacts signed so far show that much of the funds have been earmarked to support sectors of the economy that are involved in production, especially agriculture and transportation projects. Social sectors such as health and education, which benefit the poor directly, are mostly absent from these Compacts (Tarnoff 2006). If the MCA priority areas for Madagascar discussed in a *New York Times* editorial are any indication of what is to come, then Africa's poor may be disappointed:

“The Millennium Challenge Program granted \$108 million to Madagascar for, of all things, land titling, bank reform, and agribusiness centers. Those are worthy endeavors, but this is a country where many villagers do not have running water, clinics or schools. Bank reform is fine, but real growth cannot exclude the basics. Malnourished people are not going to

make good business people or farmers. And they are certainly not going to be asking for directions to the bank.’’²⁴

Conclusion

The Republican administration of George Bush should be commended for the efforts in increasing foreign aid to poor nations, including those in Africa. The Administration’s flag star program – the MCA – attempts to address some of the problems of past foreign aid programs such as the use of aid to reward U.S. allies and the lack of consultation with, and inputs from, domestic constituencies in receiving countries in determining the use of aid money. The program is based on the claim that poverty and terrorism are linked and therefore providing foreign aid to poor countries will help combat terrorism. The design of the program – including the creation of the MCC to administer the program and the failure to coordinate with other international and regional poverty alleviation efforts – also suggests that the administration has other objectives for the program. The question however is whether the MCA can achieve all these multiple objectives. So far, the prospects for significant MCA-induced poverty alleviation across Africa seem remote. Similarly, the program’s role in the global war against terror remains debatable. Increasing the MCA’s effectiveness as a poverty alleviation strategy would require significant changes. First, the complexity of the relationship between poverty and terrorism makes the use of such a linkage as the basis for policy problematic. More importantly, the poverty-terrorism linkage could result in a shift of resources away from poverty alleviation for humanitarian purposes that must center on Africa to an instrumentalist and security-based view of poverty alleviation that could marginalize many of Africa’s poor. Second, the MCA’s unwillingness to coordinate with other international and regional players in the fight against

global poverty is disheartening because the problem of global poverty is bigger than what any one country (even the U.S.) can do by itself. Third, although there are genuine concerns about how past U.S. foreign aid has been disbursed and used, the administration's decision not to reform the USAID but to design around it amounts to a missed opportunity. In sum, the MCA may be a success, but not for its effectiveness in reducing poverty in Africa or as an anti-terrorism tool, but as part of an emerging U.S. foreign aid regime.

Table 1: Criteria for selecting MCA Threshold Countries

<i>Year</i>	<i>Eligibility Criteria</i>
Year 1 (FY 2004)	<ol style="list-style-type: none"> 1. Countries that have a per capita income equal to or less than the historic ceiling of the International Development Association (or \$1415 for FY 2004); and 2. Countries that are eligible for assistance from the International Development Association; 3. Countries that are not subject to legal provisions that prohibit them from receiving United States economic assistance under Part I of the Foreign Assistance Act of 1961, as amended.
Year 2 (FY 2005)	<ul style="list-style-type: none"> ▪ Drop IDA eligibility requirement (1 above)
Year 3 (FY 2006)	<ul style="list-style-type: none"> ▪ Drop IDA eligibility requirement (1 above); ▪ Increase the maximum per capita income to \$3255 (for FY 2006)

Table 2: Indicators for assessing policy performance of MCA threshold countries under three policy categories

<i>Ruling Justly</i>	<i>Encouraging Economic Freedom</i>	<i>Investing in People</i>
<ol style="list-style-type: none"> 1. Civil liberties 2. Political rights 3. Voice and accountability 4. Government effectiveness 5. Rule of law 6. Control of corruption 	<ol style="list-style-type: none"> 1. Country credit rating 2. 1-year consumer price inflation 3. Fiscal policy 4. Trade policy 5. Regulatory quality 6. Days to start a business 	<ol style="list-style-type: none"> 1. Public expenditures on health as percent of GDP 2. Immunization rates: DPT3 and measles 3. Public primary education spending as percent of GDP 4. Primary education completion rate

Source: MCA (2005).

Table 3: Eligible Countries for MCA Assistance for FY 2004, 2005, & 2006

	<i>FY 2004</i>	<i>FY 2005</i>	<i>FY 2006</i>	<i>Countries with signed Compacts</i>
<i>Low income countries</i>				
Armenia	√	√	√	√
Benin**	√	√	√	√
Bolivia	√	√	√	
Sri Lanka	√	√	√	
Georgia	√	√	√	√
Ghana**	√	√	√	√
Honduras	√	√	√	√
Lesotho**	√	√	√	
Madagascar**	√	√	√	√
Mali**	√	√	√	√
Mongolia	√	√	√	
Mozambique**	√	√	√	
Nicaragua	√	√	√	
Senegal**	√	√	√	
Vanuatu	√	√	√	√
Morocco**		√	√	
The Gambia**			√	
Tanzania**			√	
Burkina Faso**			√	
East Timor			√	
<i>Lower middle income countries</i>				
Cape Verde**	√		√	√
El Salvador			√	√
Namibia**			√	
<i>Number of MCA eligible countries</i>	<i>16</i>	<i>16</i>	<i>23</i>	

Notes:

1. Cape Verde was selected as MCA-eligible in 2004. It was implementing a Compact with MCC by 2006.
2. ** indicates MCA eligible African countries

Table 4: U.S. Regional Aid as a Share of all Bilateral Aid (in percent)

<i>Region</i>	<i>1955</i>	<i>1965</i>	<i>1975</i>	<i>1985</i>	<i>1995</i>
Africa	1	5	6	11	12
Asia	54	52	51	14	6
Europe/NIS	36	13	5	14	18
Latin America	3	20	11	15	9
Middle East and North Africa	6	10	27	45	55

Note: NIS = newly independent states (of the former Soviet Union)

Source: CBO (1997) Table 2, pp10

Table 5: Millennium Challenge Account Funding (in billions of nominal dollars)

	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>Total</i>
President's initial public commitment	\$1.7	\$3.3	\$5	\$10
2004 Budget Request	\$1.3	\$1.32	\$3.97	\$3.97
CBO Projection of Actual Spending	\$0.13	\$0.65	\$0.96	\$1.74

Source: Adapted from Birdsall, Shapiro and Deese (2003).

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Notes

¹ George W. Bush, speech at Inter-American Development Bank, March 14, 2002 (available at: <http://www.whitehouse.gov/news/releases/2002/03/20020314-7.html>).

² George W. Bush, speech at Inter-American Development Bank, March 14, 2002 (available at: <http://www.whitehouse.gov/news/releases/2002/03/20020314-7.html>).

³ The promise of transparency should not be taken too far since the MCC Board has the final word in selection on MCA eligible countries.

⁴ Remarks by President George Bush at United Nations Financing for Development Conference, Monterrey, Mexico, March 22, 2002 (available at: <http://www.whitehouse.gov/news/releases/2002/03/20020322-1.html>)

⁵ Interested readers should see Krueger and Maleckova (2002), Chomskey (2003), and Hess (2003).

⁶ The claim that the poverty of both countries demonstrates a link between poverty and terrorism ignores the role of other possible factors such as the presence of political Islam (i.e. the desire to an Islamic State and the regard Jihad as a religious obligation) in both countries and which may have facilitated the activities of the terrorists (Khashan 2003).

⁷ Foreign terrorist organization (FTO) is designated by U.S. State Department and refers to groups that conduct terrorism and threaten the interests of the United States. FTO designation allows the US Government to block designees' assets in US financial institutions, criminalize witting provision of material support to designated groups, and block visas for members of FTOs without having to show that the individual was involved in specific terrorist activities.

⁸ In a series of op-eds, the *New York Times* columnist Thomas Friedman argues that the war on terrorism is, in reality, a war of ideas.

⁹ See Owusu, (2003) for a discussion of the shift from policy-change conditionality to policy-level conditionality as reflected in the change from the World Bank's development approach from structural adjustment programs to the comprehensive development framework. Under "policy-change conditionality" eligibility for foreign assistance was based on a promise by the borrowing government to undertake specified policy changes. However under the policy-level conditionality, eligibility for foreign aid is based on current policies of the borrowing government.

¹⁰ Soederberg (2004) argues that by insisting that the path to increased growth and prosperity lies in countries' willingness and ability to adopt policies that promote freedom and rule of law, the MCA essentially promoting neoliberalism using a "pre-emptive" method.

¹¹ The MCC has proposed the establishment of a "threshold" program to help countries that just miss the selection for eligibility.

¹² Wolf (2004) has cautioned against ignoring failing states in Africa and elsewhere.

¹³ Some have argued that the MCC's selection of countries such as Georgia for MCA funding was arbitrary and may have been influenced by the desire to demonstrate U.S. support for the country's political transition and the newly elected president Mikhail Saakashvili (see Lucas and Radelet 2004; Radelet, Siddiqi, and Disolele 2005). While such an objective may legitimate from foreign policy standpoint, it represents the misuse of MCA funds.

¹⁴ It is also important to note that eight out of the 12 countries that were declared ineligible for MCA assistance in 2004 due to statutory provisions are in Africa, including many poor countries such as Burundi, Central African Republic, Cote d'Ivoire, Guinea Bissau, Liberia, Somalia, Sudan and Zimbabwe.

¹⁵ Since the 9/11 incident, the focus of the U.S. Anti-Terrorism Assistance program has shifted to the newly identified frontline nations such as Algeria, Armenia, Azerbaijan, Bangladesh, Djibouti, Egypt, Georgia, India, Indonesia, Jordan, Kazakhstan, Kenya, Kyrgyz Republic, Malaysia, Morocco, Oman, Uzbekistan, and Yemen. Seven other countries (Cuba, Iran, Iraq, Libya, North Korea, Sudan and Syria) have also been officially designated as state sponsors of terrorism (see State Department 2003).

¹⁶ The only exception is Sri Lanka, which has been declared MCA eligible in the past three years and is believed to be the location for Liberation Tigers of Tamil Eelam (LTTE), a U.S. State Department designated FTO.

¹⁷ See Lippman (1996) for a discussion of other Republican threats to the USAID.

¹⁸ The Secretary of State chairs the board of directors and other members include Secretary of the Treasury, U.S. Trade Representative Robert Zoellick and USAID Administrator Andrew Natsios.

¹⁹ See *New York Times*, editorial titled “A Timely Departure” in the June 16 2005 issue

²⁰ At the United Nations Millennium Summit in September 2000, world leaders agreed to the Millennium Development Goals (MDGs) that established specific targets for combating poverty, hunger, disease, illiteracy, environmental degradation, and discrimination against women. (See <http://www.un.org/millenniumgoals/>)

²¹ A World Bank analysis of global poverty trends shows that although the overall level of poverty has declined, Africa fared worse than any other region (World Bank 2001a).

²² 'Poor paying for war on terror' – this title of a BBC story captures such fears (BBCNews 2004). The Boston Globe also warned that relief efforts for Iraq are threatening to siphon away funding for the world's other crises (Donnell 2003). Also see DevNews (2003c).

²³ For comparison, the World Bank estimates that about 2.8 billion people worldwide live on less than \$2 a day (World Bank 2001a).

²⁴ See *New York Times*, editorial titled “A Timely Departure” in the June 16 2005 issue

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