



Human Rights, Foreign Aid, and Economic Growth in the Age of Obama

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As we head into another four years of the Obama administration, it is important for international funders who care about human rights to take a critical look at the state of U.S. foreign aid and whether it supports human rights. In an era of major budget deficits and squabbles in Congress, it appears a new foreign aid consensus has emerged. The Obama administration and members of Congress from both major parties have embraced “results-driven” aid with one core indicator of success: economic growth. This singular focus on removing constraints to economic growth may run in direct opposition to a well-rounded, rights-based approach.

A New Focus for Foreign Aid

Since the early 2000s, a new type of aid has emerged which focuses on promoting private sector investment above all else. The agency that perhaps exemplifies this the most is the Millennium Challenge Corporation (MCC). The MCC is an independent U.S. foreign aid agency created in 2004 under George W. Bush. It has provided more than \$8 billion for infrastructure and development projects in emerging market economies as diverse as Armenia, Mongolia, Malawi, and El Salvador.¹

The MCC uses a rigorous set of indicators of good governance, transparency, civil rights protections, and “economic freedom”² to evaluate whether it should invest in a country. Participating countries must reform any policies that the MCC identifies as barriers to foreign direct investment. According to the MCC’s website: “Eligibility for an MCC compact is regarded as a seal of approval, signaling to private investors the country is well-governed and open for business. MCC has the option to suspend or terminate funding if a partner country’s policy performance deteriorates significantly.”³

For funders who embrace a rights-based approach to development,⁴ the MCC’s emphasis on transparency and civil rights protections can be seen as a step in the right direction. However, by requiring permanent policy reforms that promote a “business-friendly environment,” the MCC and similar agencies run the risk of infringing on economic, social and environmental rights. For example, in at least 5 African countries, the MCC has promoted major changes to land title laws. Critics contend that these new reforms have paved the way for multinational corporations to purchase millions of acres of land for large-scale commodity production, displacing thousands of subsistence farmers.⁵

¹ Nina Easton, “Foreign Aid, Capitalist Style,” *Fortune Magazine*, November 11, 2011: <http://management.fortune.cnn.com/2011/11/11/millennium-challenge-corp-foreign-aid/>

² Daniel Yohannes, “A New Model for Foreign Aid,” *Foreign Policy*, September 24, 2012: http://www.foreignpolicy.com/articles/2012/09/24/a_new_model_for_foreign_aid

³ <http://www.mcc.gov/pages/results>

⁴ Ellen Dorsey, Myra Gomez, Bret Thiele, and Paul Nelson, “Funding Transformative Development through Millennium Development Rights,” *IHRFG In Focus*, November 18, 2010: http://ihrfg.org/sites/default/files/InFocus_18Nov2010_MDGs_0.pdf

⁵ GRAIN, “Turning African Farmland over to Big Business,” *Seedling*, April 2010: <http://www.grain.org/article/entries/4062-turning-african-farmland-over-to-big-business>

Obama Embraces the New Consensus

In 2010, President Obama extended the Millennium Challenge Corporation's (MCC) goals to other foreign aid agencies through the Presidential Policy Directive on Global Development. The directive led to the launch of the Partnership for Growth, a series of bilateral agreements between the United States and four pilot countries: El Salvador, the Philippines, Tanzania and Ghana. All U.S. government agencies operating in foreign countries that are signatories to the Partnership for Growth must now reorient their aid packages to one single objective: removing all barriers to economic growth.

The Partnership for Growth is a pilot initiative that may be expanded to other countries. As such, what happens between the United States and these four countries could very well shape how our government implements foreign aid for years to come.

In El Salvador, one key goal tied to both the Partnership for Growth and a second MCC aid package is the passage of the "Public-Private Partnerships Law." Some local organizations are concerned that the law could pave the way to the rollback of hard fought agrarian reforms limiting the amount of land any person or corporation can own. These reforms were negotiated as part of the 1992 Peace Accords that ended a civil war rooted in deep inequalities in land ownership. Another concern is that, as El Salvador negotiates its first National Water Law, the MCC will press for reforms that allow for the privatization of water utilities, potentially limiting access to water for economically marginalized communities.

What Funders Can Do

When growth-focused, U.S.-backed aid investments are made available, the key concern is to ensure that local communities -- especially community groups representing the most disenfranchised -- have real power in the negotiation process from the start. At the very least, these groups should have the right to free, prior and informed consent for all projects affecting them. Ideally they also should have the "Right to Benefit" from the proposed projects, as well as the "Right to Remedy" for any damages caused.⁶

Human rights funders have a key role to play in helping bring some equilibrium to the invariable power dynamic, and helping their grantees influence these negotiations for the better. We recommend that funders consider taking a 'thick' approach to grantmaking,⁷ including direct support for the advocacy work of communities in affected areas, and collaboration with NGOs and international agencies that can amplify their voices within their national governments and internationally.

EcoViva is currently taking this approach with its partner communities in El Salvador who are in a prime target area for investment under the MCC's proposed aid package proposed for 2013-2017. By supporting grantees to lead discussions with a broad range of stakeholders in El Salvador on their shared development and conservation goals for coastal areas, EcoViva is helping convene and facilitate important forums for civil society and municipal governments to come together and develop proactive proposals on how the MCC can support and leverage existing community development efforts rather than undermine them.

Various organizations in and outside of Washington D.C. provide advice and support to affected communities. One of the more innovative efforts is the Global Community Rights Framework Initiative, a Global-Local Links

⁶ These rights are defined in the Global Community Rights Framework Initiative; see Resources.

⁷ This is a grantmaking philosophy pioneered by Sarah Hobson of the New Field Foundation. In this context, it refers to providing direct support to grassroots communities, but also supporting national NGOs and international intermediaries that have leverage at the policy level to bring the grassroots voice to the table.

Project, which is working to advance new “globally-minded, community-centric” rights, remedies and avenues of opportunity for communities affected by mega-projects globally. The project was developed in response to the global need for new legal, policy and mobilization tools that increase community agency, voice and capacity to advance human rights, promote sustainable development and learn from other communities’ experiences with mega-projects around the world.

In the case of the Millennium Challenge Corporation (MCC) and similar U.S. foreign aid agencies, there are internal rules and regulations that can be effectively used to hold these agencies accountable to human rights. For example, the Equator Principles – which are officially integrated into the MCC’s policies – are a set of internationally-recognized guidelines that provide investment projects with standards to measure social and environmental risk. PODER is a Mexico City-based organization that helps local NGOs apply the Equator Principles and other similar tools to their circumstances.

The goal for U.S. based human rights funders should be to ensure that local communities and ecosystems benefit from U.S. foreign aid, rather than being displaced or harmed by it. After all, these are our taxpayer dollars at work.

Additional Resources

- Washington Office on Latin America (WOLA): www.wola.net
- Global Community Rights Framework Initiative, a project of the Global-Local Links Project: globalcommunityrights@gmail.com
- PODER Project: <https://www.ashoka.org/fellow/ben-cokelet>

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