



March 14, 2007

Bush's Aid Policy Prods Countries

**Yemen and Lesotho
Embrace Overhauls;
The Gambia Balks**

By **MICHAEL M. PHILLIPS**

March 14, 2007; Page A6

WASHINGTON -- In 2005, on his first day as head of President Bush's signature foreign-aid program, John Danilovich's to-do list included the unpleasant task of telling Yemen's president that his reform efforts had slipped so badly that the country was being cut off.

Last month, Mr. Danilovich phoned Yemeni President Ali Abdallah Saleh with better news: Yemen was back on the list of countries eligible for grants from the Millennium Challenge program.




John Danilovich

What happened during those 15 months is evidence of the potential ripple effects of the high-profile aid program -- and the power of the threat to publicly shame countries that veer off the path of economic and political overhaul. Mr. Saleh implemented changes aimed at, among other things, battling corruption, reducing a budget deficit and cleaning up the court system.

"There are many, many countries that want to be part of the Millennium Challenge account, and the competition is stiff, and the elbows are getting sharper," says Mr. Danilovich, a former oil-shipping

DOW JONES REPRINTS

 This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit: www.djreprints.com.

- [See a sample reprint in PDF format.](#)
- [Order a reprint of this article now.](#)

executive and Republican activist. "If Country X doesn't want to participate, there are many other countries that do want to participate."

When he announced the initiative in 2002, Mr. Bush promised it would be an effective way to fight poverty and disease overseas. The grants would be big enough to jolt a country into economic growth but would go only to nations that met criteria for open markets, social spending and honest, democratic government. So far, the Millennium Challenge Corp., which runs the program, has approved grants valued at \$3 billion to 11 countries. Another 11 countries have gotten "threshold" grants aimed at improving their scores on the 18 eligibility criteria. Altogether, 40 countries -- from Nicaragua to Madagascar -- perform well enough to compete for aid.


Mr. Danilovich says the program creates an incentive for countries to make sometimes-painful policy changes, and points to Lesotho as proof. Traditionally, married women in the southern African country had the same legal rights as children; they couldn't buy land or borrow money without permission from their husbands. With the Millennium Challenge Corp. pressing for changes, the Lesotho Parliament passed a law in November putting married women on equal legal footing with their husbands.

"We were very instrumental in getting that bill into Parliament," says Sophia Mohapi, the Millennium Challenge Corp.'s representative in Lesotho. The country is now negotiating a \$360 million aid package.

Only twice has the Millennium Challenge Corp. suspended a country that had already qualified to apply for aid, and the results were sharply different.

Grants for Growth

Millennium Challenge CEO John Danilovich, right, shakes hands at a grant-signing ceremony in November with Mali's foreign minister, Moctar Ouane, as President Amadou Touré, center, looks on. A look at the 11 grants approved so far:



Getty Images

Country/amount	Project	Country/amount	Project
Armenia \$235.65 million	Improve water supply, irrigation	Honduras \$215 million	Improve road connecting Atlantic and Pacific ports
Benin \$307 million	Increase small-business access to banking	Madagascar \$110 million	Computerize land titles
Cape Verde \$110 million	Shift aid to high-value farm products from low-value crops	Mali \$460.8 million	Renovate Bamako airport
El Salvador \$461 million	Expand access to education	Nicaragua \$175 million	Upgrade Pacific Corridor highway
Georgia \$205.2 million	Rehabilitate gas pipeline	Vanuatu \$45.7 million	Improve roads, urban...

Georgia \$295.3 million	Rehabilitate gas pipeline	Vanuatu \$65.7 million	Improve roads, wharves, warehouses, airstrip
Ghana \$547 million	Improve ferry service on Lake Volta		

Source: Millennium Challenge Corp.

In June, the program suspended the Gambia, a sliver of a country in West Africa. The U.S. ambassador in Banjul, the Gambia's capital, delivered the news to President Yahya Jammeh, who came to power in a military coup in 1994, then won elections in 2001 and 2006.

In a letter to Congress, the corporation cited "evidence of growing human-rights abuses, increased restrictions on political rights, civil liberties and press freedoms, as well as deteriorating economic policies and anticorruption efforts." One incident that contributed to the suspension was the 2005 murder of a prominent Gambian journalist, gunned down on his way home from work.

The Gambians took umbrage at the suspension and, instead of motivating reform, it has become a point of friction.

"I'm not claiming we're saints; we do have our hiccups now and then," says Dodou Bammy Jagne, the country's ambassador in Washington. "But there was nothing new...that could have triggered this situation."

The Gambians suspect that they were being punished for having invited the leaders of Iran and Venezuela -- the bêtes noires of U.S. foreign policy -- to an African Union summit that took place in Banjul just days after the suspension was announced.

Mr. Danilovich says the suspension had nothing to do with foreign-policy tensions and everything to do with the Gambia's increasingly dictatorial regime. "We're not a reward program for countries that support the United States," he says. "If the Gambia becomes close with whomever they become close with, that's the Gambia's business."

The Gambia Journal, a Banjul newspaper, reported that Iranian President Mahmoud Ahmadinejad again visited Banjul in January. "President Jammeh became well disposed to the anti-American camp after the Gambia was suspended" from the aid program, the paper said. So far, Gambian officials have shown no interest in taking steps that the U.S. deems necessary to re-enter the program.

Yemeni officials, by contrast, sought reinstatement from the moment Mr. Danilovich delivered news of the suspension to President Saleh in November 2005. Yemen's performance had worsened so sharply that it passed just two of the Millennium Challenge criteria. Mr. Danilovich describes the talk with Mr. Saleh as "strong and stern."

Another U.S. official described the Yemeni leader as "very upset" by the decision. Nonetheless, at President Saleh's request, U.S. and Yemeni officials met immediately to discuss how Yemen could get back into the program.

In the following months, the Yemenis embraced sweeping overhauls. The president fired the cabinet ministers thought to be most corrupt. He removed himself from the highest court. By November, the World Bank, the Persian Gulf states and other donors were willing to pledge \$4.7 billion in assistance to Yemen through 2010. Last month, the Millennium Challenge Corp. board unanimously voted to reinstate Yemen.

"Countries care really deeply about this seal of approval of good governance," says Sheila Herrling, a senior policy analyst at the Center for Global Development, a Washington think tank. She gives the Millennium Challenge Corp. "full credit" for Yemen's about-face.

Write to Michael M. Phillips at michael.phillips@wsj.com¹

URL for this article:

<http://online.wsj.com/article/SB117382418819335948.html>

Hyperlinks in this Article:

(1) <mailto:michael.phillips@wsj.com>

Copyright 2007 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com.