



Smart Development

Why US foreign aid demands major reform

In 2000, Mey Som was the first farmer to try out the System of Rice Intensification (SRI) in Cambodia. Halfway through the first season, after using the innovative agriculture technique that requires fewer seeds and less water, he noticed, "The same seeds used to produce plants that came up to my knees. Now they reach above my head."

Photo by Brett Eloff / Oxfam America



Introduction

Half the world's population lives on less than \$2 a day. This is a human rights crisis. For US policy makers, however, it is also a national security concern.¹ They recognize that persistent deep poverty and injustice can alienate populations from states, increase the risk of civil conflict, and erode weak states' capacity to govern, providing space for domestic and transnational security threats.² To tackle these threats, US policy makers and analysts are increasingly calling for the use of "smart power," combining the hard power of the military with the soft power of US diplomatic and development efforts.³

The effective exercise of smart power is *not* Oxfam's mission—we are an agency dedicated to fighting poverty because, in a world of plenty, poverty is morally untenable. Yet as we witness the US fight against global poverty increasingly driven by short-term national security concerns, we believe those calling for the exercise of smart power are not sufficiently focused on smart development. Consequently, they are likely to miss the chance to help millions overcome poverty and injustice. Whether the US fights global poverty for moral reasons or to enhance its own security, Oxfam believes smart development will only happen when US development assistance is empowered, designed, and implemented to fight poverty for its own sake.

For the US to use its soft power effectively, Oxfam believes that the US must make its development aid smarter in tackling the global poverty and injustice challenges of the 21st century. Smart development is providing aid for development that empowers effective states and active citizens to manage their own way forward from poverty and injustice. Smart development puts responsible governments and poor people first on the agenda, reflecting their indigenous knowledge, entrepreneurial assets, and needs. It provides predictable long-term aid that strengthens the national plans of responsible governments in ways that allow governments flexibility in sourcing the goods and services they need.

When smart development works well, responsible states become increasingly less reliant on aid as a source of revenue, and beneficiaries of aid lead healthier, more secure, and stable lives. As smart development helps improve the livelihoods of millions, it reduces the sources of discontent and disenfranchisement that fuel global security threats.

Two paradoxes stand in the way of the US effectively embracing smart development as part of its foreign policy.

First, a security paradox: When pursuit of short-term security goals undermines long-term poverty reduction goals, US smart power is weakened. As development has become part of the US national security strategy, it has been increasingly integrated under military control, strategy, management and implementation in order to achieve short-term political and security goals. This "securitization of aid" has focused on the short-term policy interests of the US at the expense of smart development.

Second, a control paradox: The more that policy makers aim to control US foreign aid to make it effective, the less effective it becomes. It is not that policy makers don't care about results—it's that they are using their control to achieve the wrong results. When pet projects and direct controls are given priority over helping farmers in Kenya increase the yields of their crops, helping clinics in Uganda meet basic health needs of local communities, or helping the Ministry of Education in Afghanistan build schools, the US is failing to apply smart development to the challenges of global poverty and injustice.

If the US is to tackle these paradoxes and become a global leader in smart development, it must undergo fundamental reform in the legislation, organizational structure, strategy, and implementation of its foreign aid. Only such a revamping will enable US foreign assistance to strengthen recipient states and empower their citizens to free themselves actively from poverty and injustice.

A Security Paradox

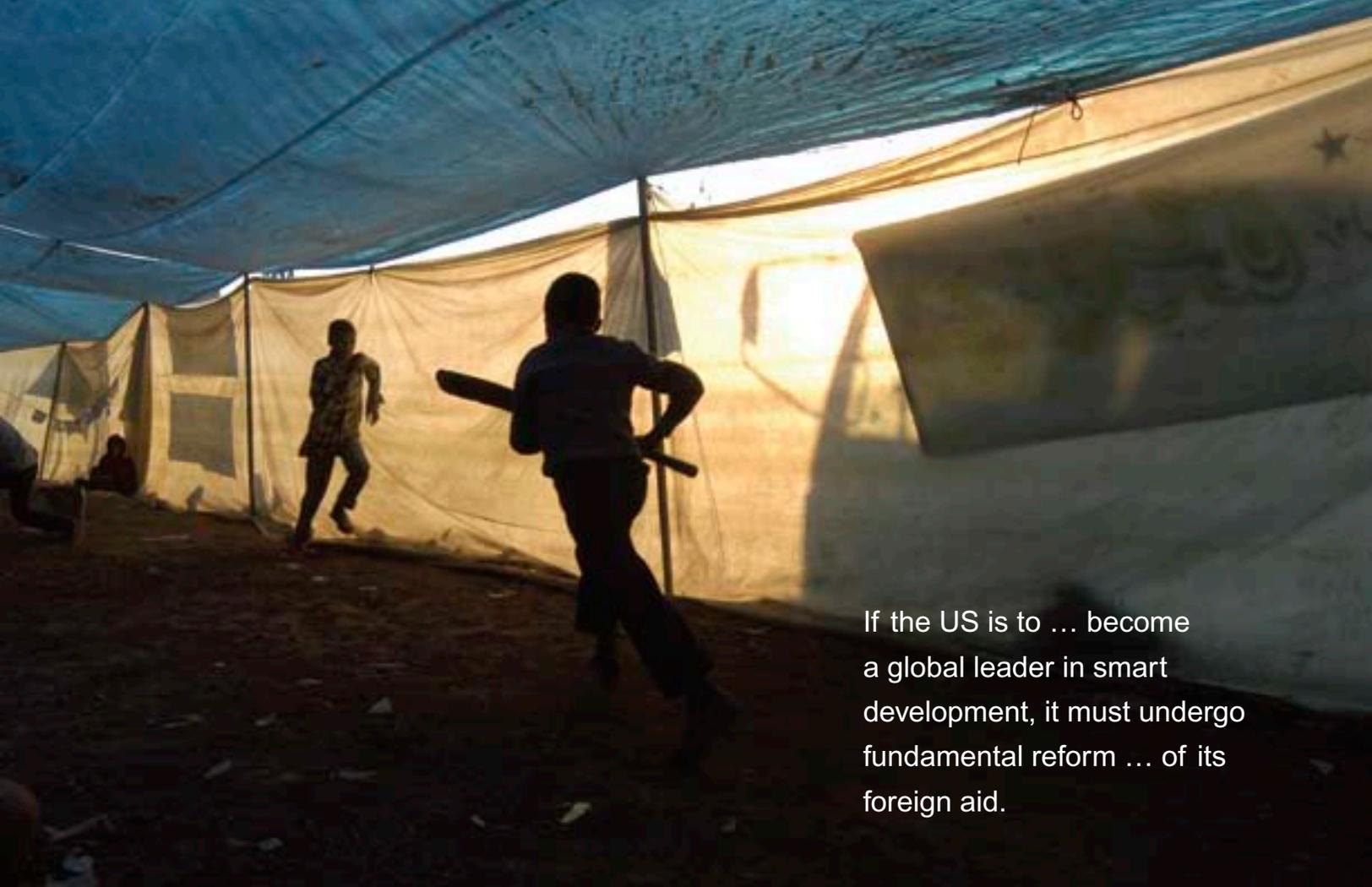
National security has always been a major driver of US foreign aid. For most of the second half of the 20th century, the Cold War was the central motivation behind the majority of US foreign aid, particularly in Southeast Asia, the Middle East, and Latin America. Much of the aid was explicitly provided to build bulwarks against expansion by communist rivals.

New threats such as terrorism, but also drug trafficking, money laundering, infectious diseases (e.g., SARS, avian flu), and illegal migration, transcend state boundaries. Widespread poverty and failed states do not cause these threats, but create an environment in which they can thrive.⁴

A more prosperous world with effective states accountable to their citizens is thus likely to be safer. That basic idea is driving a renewed interest in foreign aid as a stone that can kill two birds: America gives aid because it is a caring nation shocked by global poverty in the 21st century, and it gives aid as a tool to make America safer. Global poverty is fueled by complex political and security trends that demand smart development approaches. Yet the effort to integrate development (along with defense and diplomacy) into the National Security Strategy of 2002 may lead to new trends in US development aid that are anything but smart, because they run up against a paradox: aid programs that emphasize short-term security over long-term economic development are less effective at reducing poverty, and hence less likely to produce a safer world.

US foreign assistance is increasingly driven by a desire to get short-term security benefits. When success of an aid program is measured by its impact on short-term diplomatic or military objectives, it often fails to hold either the aid agency or the recipient government accountable for the program's long-term impact on poverty alleviation. If a particular aid program is not designed with a clear focus on poverty reduction and a long-term outlook, it is not likely to be effective at reducing poverty. Hence it is not likely to generate significant, long-term, and beneficial byproducts for security.

The emphasis on short-term security is reflected in the securitization of aid, where aid is increasingly driven by a military agenda and less so by civilian elements of US foreign policy and national security.



If the US is to ... become a global leader in smart development, it must undergo fundamental reform ... of its foreign aid.

The securitization of aid

The securitization of aid is reflected in emerging military doctrine, strategy, organization, and approaches on the ground. It also affects civilian aid agencies and budget priorities.

Military doctrine | The US government is asking soldiers not just to fight and win wars, but to prevent wars from happening and to rebuild countries afterward. New military doctrine embraces “Phase Zero,” in which soldiers are expected to provide capacity building to partner nations to help them prevent or limit conflicts,⁵ efforts traditionally labeled as “diplomacy” or “development assistance.”⁶

Military strategy | Evolving US military strategy contends that development is essential to winning the wars of the 21st century and that the military has a key role to play in development. The new “US Army/Marine Corps Counterinsurgency Field Manual” argues for a “radical” shift in strategy, where the primary objective of any counterinsurgency (COIN) operation “is to foster development of effective governance by a legitimate government.” The manual states:



Following the South Asian earthquake, young boys played cricket in the communal tent of Dewan Camp in Muzaffarabad, Pakistan. For these and many other people, too little of the \$10 billion given by the US to Pakistan since 9/11 has gone toward long-term development. Funds aimed at short-term security goals are, at best, precisely that: short-term. The long-term impact of such efforts on poverty is rarely lasting.

Photo by Carlo Heathcote / Oxfam

Political, social, and economic programs are most commonly and appropriately associated with civilian organizations and expertise; however, effective implementation of these programs is more important than who performs the tasks. If adequate civilian capacity is not available, military forces fill the gap. COIN programs for political, social, and economic well-being are essential to developing the local capacity that commands popular support when accurately perceived.⁷

Military organization | In October 2007, the US Africa Command, or AFRICOM, came into being.⁸ AFRICOM is meant to coordinate all US military efforts across Africa under a single military command.⁹ While military advocates of AFRICOM say they do not plan to take over civilian-led development functions in Africa, they do expect to ensure that US development goals in Africa will be directly and explicitly tied to US national security goals, and they intend to use AFRICOM toward that end. Without strong civilian leadership to make the case for long-term development approaches, AFRICOM risks creating an imbalance in US foreign policy. It's not surprising, therefore, that some development professionals and African leaders question the motives of AFRICOM.¹⁰

Military approaches on the ground | The military has engaged in development and humanitarian activities for decades,¹¹ but the scale and nature of its engagement is changing. In Afghanistan, for example, NATO-led military Provincial Reconstruction Teams (PRTs) have no mandate to seek out and attack anti-government forces, intervene in local conflicts, or tackle the booming opium trade, but are charged to build schools, health clinics, and wells for drinking. In some cases, the military is taking on activities traditionally assumed by civilian agencies but that have been under-resourced in more recent years. Concerns about this approach have been raised by Secretary of Defense Robert M. Gates:

Forced by circumstances, our brave men and women in uniform have stepped up to the task, with field artillerymen and tankers building schools and mentoring city councils—usually in a language they don't speak. They have done an admirable job. ... But it is no replacement for the real thing—civilian involvement and expertise.¹²

The militarization of civilian agencies | While mandating the military to do more civilian-type activities, Congress has also asked civilian agencies to take a bigger part in military efforts. The Department of Defense may not want to take over leadership of development, but its desire for a “unity of effort” that uses all US government agencies and their grantees as “force multipliers” in the war on terror is changing how civilian agencies operate. This trend is seen in the US Agency for International Development's (USAID) current strategic plan, which focuses on “counterterrorism; weapons of mass destruction and destabilizing conventional weapons; security cooperation and security sector reform; conflict prevention, mitigation, and response; and transnational crime.”¹³ These activities are a far call from building schools and health clinics, helping farmers break into new markets, strengthening public-private partnerships, and other such efforts that have been the hallmark of USAID.

The securitization of the budget | Several budget figures reflect the increasing imbalance between short-term security and long-term development goals:

- >> Of the total outlays for national security in FY07, 95 percent was for defense, compared with 3.5 percent for development (and 1.5 percent for diplomacy).¹⁴
- >> The US Department of Defense went from managing 6 percent of US overseas development assistance (ODA) in 2002 to more than 21 percent in 2005.¹⁵ Much of this funding went to reconstruction in Iraq and Afghanistan.
- >> Although at least two of the world's 10 poorest countries—the Democratic Republic of Congo and Ethiopia—are now among the top 10 recipients of US development aid, one of every three dollars of development aid goes to countries that are political allies in the “war on terror” or the “war on drugs.” In contrast, the US spends just one out of every 16 dollars of development aid on the world's 10 poorest countries (Table 1). Another measure of this imbalance is that US aid to sub-Saharan Africa between 1961 and 2005 was about half of what the US government spent for military operations and reconstruction in Iraq and Afghanistan in 2007 alone (in constant 2005 US\$).¹⁶
- >> This year the US Department of Defense is requesting \$1 billion for PRTs in Iraq and Afghanistan, through the Commander's Emergency Response Program, to augment the \$500 million PRTs received from the 2007 Supplemental Spending Bill. This means that the PRTs may have funds to do small reconstruction projects almost equal to the entire FY08 appropriation for the Millennium Challenge Corporation (MCC).
- >> The FY08 budget shifts substantial funds from traditional development accounts to the Economic Support Fund (ESF), a category of aid designed to advance strategic security and political goals.¹⁷
- >> Meanwhile, funding for the MCC—the most clearly long-term development program in the US foreign aid machinery—is stagnating. Congress has underfunded the MCC since its inception in 2004. The trend continues this year, as Congress provided the MCC with only \$1.6 billion of the requested \$3 billion.
- >> Moreover, Bread for the World has calculated that only half of ODA goes to programs that focus solely or primarily on poverty reduction.¹⁸ The other half goes to programs like ESF that pursue multiple objectives and are typically driven by diplomatic and military objectives.

Table 1. US development aid is driven by political and security concerns

*Organization for Economic Cooperation and Development's Development Assistance Committee (OECD/DAC).

**World Bank's World Development Indicators (WDI), data for 2006, except for Iraq and Afghanistan. Latest available WDI figure for Iraq is from 1999. Afghanistan figure, not reported by WDI, is the estimate for 2006 from the International Monetary Fund's World Economic Outlook Database, October 2007.

***Based on total net US ODA in 2006 of \$23.5 billion from OECD/DAC.

****Countries in blue indicate US strategic allies.

Country	US ODA (million US\$)*	GDP per capita (US\$)**	Percent of total net US ODA***
Top 10 recipients of US overseas development assistance (ODA)			
Iraq****	4,782	1,107	20.3
Afghanistan	1,404	309	6.0
Democratic Republic of Congo	838	93	3.6
Nigeria	787	439	3.3
Sudan	739	512	3.1
Colombia	720	2,317	3.1
Pakistan	478	623	2.0
Jordan	330	2,193	1.4
Ethiopia	316	155	1.3
Zambia	310	366	1.3
> US aid to top 10 recipients	10,704		45.4
> US aid to strategic allies	7,714		32.8
World's 10 poorest countries			
Central African Republic	21	232	0.1
Sierra Leone	21	228	0.1
Eritrea	7	165	0.0
Malawi	64	164	0.3
Niger	31	158	0.1
Ethiopia	316	155	1.3
Liberia	88	142	0.4
Guinea-Bissau	6	136	0.0
Burundi	47	106	0.2
Democratic Republic of Congo	838	93	3.6
> US aid to poorest 10 countries	1,439		6.1



Is the securitization of aid smart?

There are three reasons why smart development is compromised when short-term security objectives are prioritized over longer term poverty reduction goals:

First, there is no real incentive to hold either the aid agency or the recipient government accountable for poverty reduction results. Most major recipients of US development funding (including those countries in Table 1) know that they can rely on a continuing flow of assistance regardless of development outcomes, as long as they remain aligned with US diplomatic or military objectives.

The short-term, fast-paced, and high-stakes nature of diplomacy invariably overwhelms the long-term anti-poverty agenda. In the words of two former USAID administrators:

State and other departments have often worked to gain more control of both AID resources and policy direction. ... The fundamental problem with the development mission being located in State is that the department's immediate priorities, by their nature, will almost always trump the preventive, long-term nature of the development mission.¹⁹



Boubacar Coly (left), a primary-school teacher in Ziguinchor, Senegal, works with Mathieu Sagna, 16, a refugee from Guinea Bissau who came to Senegal's Casamance region during a spate of fighting in his country in 2006. This school was built to accommodate 700 students, but by 2007 had over 1,100—many of them Bissau-Guinean refugees or Senegalese students displaced by fighting in rural areas of Casamance, which endured its own 20-year armed conflict.

Fighting poverty demands strengthening local leadership, which in turn requires long-term investments informed, first and foremost, by the developmental challenges and capacities of local actors and contexts.

Photo by Rebecca Blackwell / Oxfam America



Second, tying aid to short-term security objectives inevitably leads to conflicts with internationally accepted principles of aid effectiveness, such as promoting ownership by recipient governments, alignment under national plans, harmonization with other donors, and empowerment of the citizenry. Whereas, for example, short-term security goals often demand as much profile and credit as possible for the giver of aid in order to win over hearts and minds, gather intelligence, or enhance force protection, longer term poverty reduction goals often want aid to be invisible, empowering states and their citizenries to take as much ownership as possible over the development process.²⁰

Third, there is no evidence that short-term, security-driven aid is improving US global standing. In fact, a survey of global public opinion reveals that foreigners' opinions toward the US have become significantly less favorable between 2002 and 2007.²¹ The same poll shows that (often overwhelming) majorities of respondents in 43 of the 46 surveyed countries agree that the "US promotes democracy mostly where it serves its interests, rather than promoting it wherever it can." The message is clear: People question the motives behind US policy. Instead of projecting the image of a caring nation, US aid might end up fueling cynicism toward America. Oxfam's experience is that recipient governments and communities are often skeptical of the motivations behind foreign aid; can distinguish short-term public relations-oriented aid from long-term development approaches; and will judge them accordingly.

▲
A young girl helps her grandmother carry plantains back to their home in the newly titled indigenous territory of Monte Verde in Santa Cruz, Bolivia. After a decade-long legal struggle, the Chiquitano people won the title to this 3,830-square-mile territory. This victory will allow them to develop sustainable management plans to ensure that the forest and its resources will be preserved for future generations.

Photo by Evan Abramson / Oxfam America

In Iraq, according to an opinion poll by the Program on International Policy Attitudes at the University of Maryland, “two-thirds of Iraqis approve of US involvement in non-military activities, including training Iraqi security forces, developing Iraq’s oil industry, building government institutions, mediating between ethnic groups, assisting with infrastructure and economic development, and helping organize local communities. Yet a majority say the US is doing a poor job in each of these areas.”

Whether aid can serve short-term political or security purposes is an unproven empirical question. Oxfam’s concern is that when those goals drive aid programs, they undermine long-term poverty reduction goals.

We believe that a commitment to smart development can have a lasting impact on global poverty and that over time, doing smart development will enhance US moral standing and national interests and ultimately build a safer world for all.

The US will become a global leader in smart development only when it tackles not just a security paradox, but a fundamental control paradox that is paralyzing the current US foreign aid system.

Prioritize development as a principal—rather than subordinate—element of our national security alongside defense and diplomacy. Adherence to this principle serves to demonstrate US commitment to moral leadership in our interconnected world, and it ensures against the subordination of long-term investments in development and poverty alleviation to shorter term foreign policy objectives.

Based on our field experience throughout the developing world, Oxfam believes that smart development empowers effective states and active citizens to manage their own way forward from poverty and injustice.

 **POLICY RECOMMENDATION**

IF THE US WANTS TO BECOME A SMART DEVELOPMENT LEADER, US POLICY MAKERS SHOULD:

A Control Paradox

US policy makers will achieve very little without also resolving a control paradox: the more that policy makers aim to control US foreign aid to make it effective, the less effective it becomes.

No one credibly argues that aid funding shouldn't deliver results. The core challenge is "what kinds of results?" Oxfam believes that US foreign aid is less effective than it could be, not because of a lack of attention to results, but because policy makers are using their control to achieve the wrong results. As expressed in a report compiled by the minority staff of the Senate Committee on Foreign Relations,

Too often, members of Congress narrow their foreign aid focus to favorite or least-favorite countries, specific NGOs [nongovernmental organizations] or programs, and other unique enthusiasms that end in earmarks or reporting requirements in appropriations bills.²²

As a consequence, the US aid system relies on and reinforces myths that can only be exposed by a strong commitment to smart development. Those myths, the reality they create, and the requirements for smart development are summarized in Table 2.

Table 2. Laying a foundation for smart development

Issue	Myths	Reality	Requirements of smart development
Laws and structure	Aid problems can be fixed with more controls for aid laws and architecture.	Aid laws and institutions are overly complicated.	A new, simpler law and department-level authority for aid
Strategy	Imposing controls makes aid more strategic.	There is no overall strategy for US foreign assistance.	A national aid strategy that prioritizes country-level planning and practice
Implementation capacity	Bureaucracy is wasteful and inefficient, and spending on field management is a waste.	USAID is under-resourced—both professionally and monetarily.	Rebuilding USAID or creating a new agency to manage development

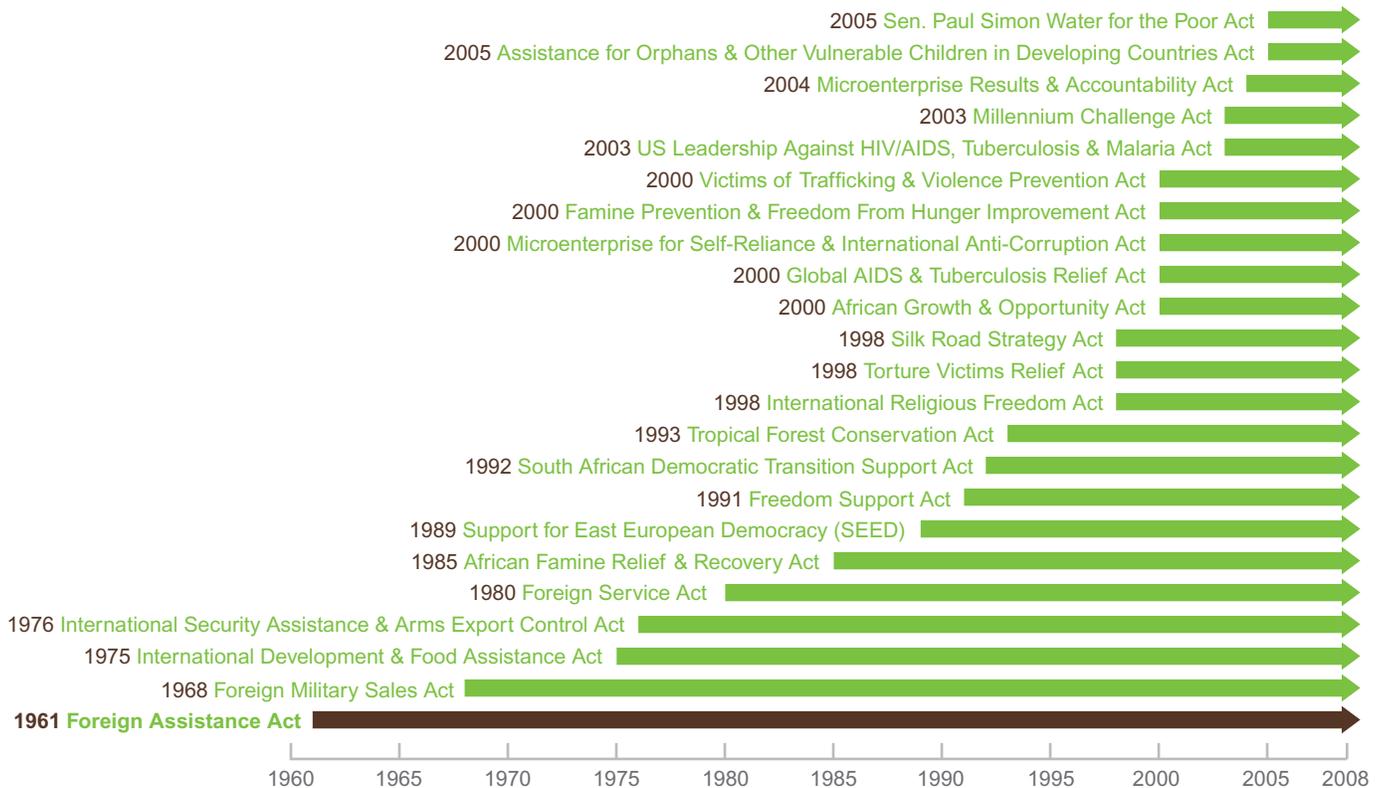
Complicated laws and structure

The problem begins with the Foreign Assistance Act, which President Kennedy passed in 1961 because he believed too many different agencies were involved in foreign assistance. Today, history is repeating itself: the Foreign Assistance Act now integrates 33 different goals (at least by one account),²³ 75 priority areas, and 247 directives,²⁴ and is executed by at least 12 departments, 25 different agencies,²⁵ and almost 60 government offices.

The current Foreign Assistance Act is now only part of the problem. Since 1961, successive presidents and Congresses have often chosen to work around the act, enacting more than 20 additional pieces of legislation to achieve their foreign aid goals (see Figure 1).

Figure 1. Current legislation governing US foreign assistance

Source: Based on analysis done for Oxfam by Dechert LLP.

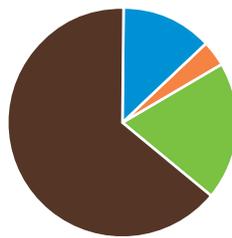


Each legislative proposal, new initiative, objective, and organization represents not a lack of focus on results, but a particular perspective on what kinds of results are most desirable. Together, they represent a failure of leadership and strategy that critically impairs the efforts of the US to engage in smart development.

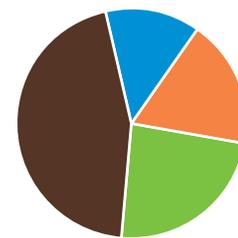
The fragmentation of this structure is reflected in the diminishing influence of USAID over US foreign aid. In 1998, USAID managed 64 percent of US ODA; eight years later that share had fallen to less than 45 percent (Figure 2).

Figure 2. Management of US overseas development assistance (ODA) by agency

Source: "The United States Development Assistance Committee (DAC) Peer Review" (Paris: Organization for Economic Cooperation and Development [OECD], 2006), 26.



1998	
USAID	64.3%
Department of State	12.9%
Department of Defense	3.5%
Others	19.3%



2006	
USAID	45.0%
Department of State	13.4%
Department of Defense	18.0%
Others	23.6%

Meanwhile, the fragmentation of aid has also introduced problems in the field. A simple illustration is the often confusing branding of US aid abroad:

The USAID "handshake" logo now competes with a plethora of others from the Centers for Disease Control, Health and Human Services, the MCC, the Office of the Global AIDS Coordinator, as well as some of the contractors and NGOs that work as implementing partners.²⁶

POLICY RECOMMENDATION ❖❖

IF THE US WANTS TO BECOME A SMART DEVELOPMENT LEADER, US POLICY MAKERS SHOULD:

Enact a new Foreign Assistance Act. A new act should lay the legislative foundation for US foreign aid to focus strategically on its core mission—the reduction of global poverty and human suffering.

Create a new Department of Foreign Assistance. For the US to balance long-term development and security goals against short-term political and security interests, foreign assistance must have the power to hold its own with the Departments of State and Defense.



A missing strategy

The problem is not that the US has the wrong long-term strategy in the fight against global poverty; it is that it has no coherent strategy.²⁷ As Ambassador Randall L. Tobias, former director of US foreign assistance, testified: “Foreign assistance in the past has too often been a mile wide and an inch deep, and therefore impact was diluted and diffuse.”²⁸ Lacking a broader strategic framework, political pressures to control for individual preferences instead of a coherent country strategy can lead to all sorts of problems.

The State Department’s current effort to transform US foreign assistance to meet the demands of the 21st century is known as “the F process.” At its heart is the Foreign Assistance Framework that commits the US to one long-term strategic goal: “To help build and sustain democratic, well-governed states that respond to the needs of their people, reduce widespread poverty, and conduct themselves responsibly in the international system.” The framework has the potential to strengthen the coherence of foreign aid, and may even help to convince Congress and other stakeholders of the need to design strategies and achieve different kinds of results in different country contexts. But its development has been far from smooth, and its effective implementation is far from assured.²⁹

Because it covers only those programs that fall under the Department of State or USAID, the F Bureau has no mandate to reform over half of US overseas development aid. Because it did not seek or receive sufficient political support or statutory authority in Congress or from the White House, the F process aims to solve deeply structural and political problems administratively. In short, it seeks

▲ Practitioners of smart development listen to the voices of the poor—learning their capacities, interests, needs, and aspirations—and create a structure, strategy, and implementation plan that can evolve as lessons are learned.

Photo by Atul Loke / Panos for Oxfam America



Village committee organizer Nyima Filly Fofana, foreground, poses for a picture in the cereal store built in Dasilami, Gambia. Supplying resources is not the major challenge for doing smart development. The real challenge is using those resources effectively to build sustainable local capacity and leadership.

Photo by Rebecca Blackwell / Oxfam America

to set up interagency coordination mechanisms with procedures that are not binding for many of the agencies involved and are unlikely to work effectively as a consequence.

With its limited statutory authority and with a limited appetite for serious aid reform in the current executive and legislative branch, the F Bureau is taking an incremental approach to reform.³⁰ As a consequence, the F process has been focused “downward”—imposing burdens of vastly increased reporting on USAID missions and partners—rather than focusing “upward”: seeking the additional resources necessary to meet such increased burdens.³¹

POLICY RECOMMENDATION ❖❖

IF THE US WANTS TO BECOME A
SMART DEVELOPMENT LEADER,
US POLICY MAKERS SHOULD:

Create a national development strategy. That strategy should bring policy coherence to all US development aid and provide a better balance between short-term political and security goals and long-term development goals.

Under-resourced implementation capacity

Even the Pentagon now argues that the exercise of smart power needs more investment on the “nonkinetic aspects of our national power.” Lieutenant General Peter W. Chiarelli, an adviser to Secretary of Defense Gates, recently recommended building up the “miniscule” State Department and USAID, which he said has become “little more than a contracting agency.”³²

In fact, USAID’s mandate and capacity has been steadily undercut over the last 40 years. The trend began in the late 1960s, when USAID reduced its staff capacity for analysis of overall economic frameworks, relying instead on the International Monetary Fund (IMF) and World Bank and shifting its emphasis back to project aid and technical assistance.³³ In the aftermath of the early 1980s debt crisis, when worldwide attention centered on the overall economic policy framework of developing countries, USAID was unable to play a leadership role, having lost much of its capacity for macroeconomic analysis. By the early 1990s, its presence was far less visible, as more and more US economic policy toward developing countries was formulated and executed through the international financial institutions and by the Office of the US Trade Representative, the Treasury Department, the Agriculture Department, and other agencies.³⁴

Today, that lack of capacity has reached a crisis point, making it almost impossible for USAID to oversee effective programs on the ground, let alone harmonize and coordinate its programs with other donors. The number of direct hires working in the field dropped by 29 percent from 2002 to 2005, and decision-making functions have been “hypercentralized.”³⁵ While federal guidelines recommend that each contracting officer oversee an average of \$10 million in contracts per year, in reality each manages more than \$50 million a year.³⁶ As the agency has lost independence and influence, it has had more difficulty holding onto qualified professional staff. In the 1990s, 37 percent of the workforce left without being replaced.³⁷

As USAID’s capacity to design, manage, and operationalize programs has diminished, these functions have been increasingly outsourced to other parts of government³⁸ or to private contracting companies. New programs like the MCC and the President’s Emergency Plan for AIDS Relief (PEPFAR) have been placed under the authority of the Department of State, which, with its own skeletal staff, is now increasingly expected to balance day-to-day political demands across the globe with the radically different challenge of longer term development.³⁹

Rebuild USAID or create a new implementing agency. USAID needs to be rebuilt, empowered, and resourced to achieve its mission, or it should be closed down and a new agency created that brings together the implementation of all civilian-led foreign assistance.

POLICY RECOMMENDATION

IF THE US WANTS TO BECOME A SMART DEVELOPMENT LEADER, US POLICY MAKERS SHOULD:

Toward Smart Development

In its early life, the Marshall Plan was critiqued for lacking a clear implementation plan and failing to deliver results quickly enough. George Marshall and his advisers withstood pressures to lead from the front, insisting that ... the plan for Europe's recovery needed to be "European in origin and operation."

Reforms to the legislation, organizational structure, architecture, strategy, and implementation of US foreign aid lay the foundation for smart development, but they don't deliver it. Based on our field experience throughout the developing world, Oxfam America believes that smart development empowers effective states and active citizens to manage their own way forward from poverty and injustice. The US can lead the way forward by strengthening responsible state ownership and management, improving the predictability of funding, and untying aid. Table 3 summarizes key myths that a commitment to smart development will tackle.

Responsible state ownership and active citizenship

Who delivers aid and how it is delivered matter. If donors want recipient governments to lead their countries responsibly toward peace, economic growth, political stability, and other long-term goals, then they must allow those governments to lead their own state's development and hold them accountable. At the same time, they must empower citizens to demand accountability, transparency, and results from those states.

When US foreign aid has performed at its best, it has embraced the principle of state and citizen ownership. In its early life, the Marshall Plan was critiqued for lacking a clear implementation plan and failing to deliver results quickly enough. George Marshall and his advisers withstood pressures to lead from the front, insisting that the plan's success depended on stewardship from recipient country governments and that the plan for Europe's recovery needed to be "European in origin and operation."⁴⁰

More recently, PEPFAR spearheaded the "three ones" approach—three principles that aim to ensure that as each donor tackles AIDS, it works with one national strategy, one national coordinating body, and one monitoring and evaluation system to track progress and achieve results—unique to that country.⁴¹

In practice, however, too often the US foreign aid system creates programs and structures that run parallel to the recipient government's programs and structures and work through US subcontractors. In addition, the system measures results not in

Table 3. What is smart development?

Issue	Myths	Reality	Requirements of smart development
Responsible state ownership and active citizenship	Foreign governments can't be trusted to listen to their citizens in determining national priorities.	US aid in developing countries is a mess of pet projects and agencies working at cross-purposes.	Harmonizing and aligning US foreign aid under the plans of foreign governments
State management of donor finances	Foreign governments can't be trusted to deliver aid effectively.	The US gives less development aid to foreign governments than any other donor.	Increasing development aid to responsible foreign governments and holding them accountable
Predictable funding	Short-term aid allows the US to learn faster and limit waste.	The lack of predictable long-term funding reduces the value of US ODA and creates waste.	Making US foreign aid more predictable
Untying aid	US voters will not tolerate tax dollars being spent to purchase foreign goods.	US voters are highly supportive of efficient aid strategies to help people out of poverty.	Eliminating tied aid

terms of the broader impact and effectiveness of the state, but in terms of the specific inputs and outputs of each particular earmarked program, project, or initiative, which then gets reported back to Congress as a success or failure on those terms.

As long as donors are focused on short-term security and political payback, domestic country ownership and alignment will remain pipe dreams. Field managers will face pressure to micromanage and then take credit for US programs, when they should be doing precisely the opposite. They will be expected to publicly flag every intervention as a program “from the American people” and deliver, and be seen to deliver, programs directly. Not only is aid without real local ownership wasteful in terms of development, but there is no evidence that it wins over lasting public support.

Oxfam believes that intended beneficiaries know when they have real ownership over meaningful development processes and when they don't. They judge the aid's value not by how it is branded, but by how it changes their lives in real ways.

The challenge of strengthening country ownership without seeking fundamental reforms to current foreign aid appropriations is evident in the short history of the MCC. In its early years, championing the principle of recipient ownership, the MCC refused to consider government plans that were the product of support by USAID or any other US aid agency, in order to push governments to think through their own development priorities. When the MCC insisted on waiting for governments to develop their own plans, Congress became increasingly frustrated at the failure of the MCC to spend money quickly, and in each of the three budget cycles since its inception in 2004, the MCC has been forced by Congress to defend the lack of immediate results. MCC officials have argued, year after year, that genuine country ownership



Unless local communities and their political leaders embrace the implementation, management, and aims of a development project, its positive impact is rarely significant or lasting.

takes time and that if Congress wants to see a real impact for its investment, it needs to think in the long term and strengthen (not undermine) country ownership. The reaction of Congress has been less than positive. When President Bush announced the MCC in 2002, he promised \$5 billion a year. Each year since then, he has asked for less, and each year, Congress hasn't given even that for the MCC.

A genuine commitment to strengthening state ownership would also require the US to harmonize its funding with other donors under nationally owned development plans. Harmonizing lowers the transaction costs on recipient country governments and provides at least the potential for strategic leadership by host country governments.

The transaction costs of delivering and receiving aid are immense, especially in light of very limited institutional capacity on the receiving end. In 2004, Oxfam Great Britain surveyed recipient governments on donor practices in 11 countries. Fifty-two percent of governments said they spent "too much" or "excessive" time reporting to donors, and 60 percent said the US reporting requirements were too much or excessive.⁴² Another study found that in 1960, the average recipient country had to deal with about a dozen donors, compared with more than 30 today.⁴³ Some recipient countries receive as many as 800 new projects a year, host more than 1,000 donor missions, and present 2,400 quarterly progress reports⁴⁴ (see Box 1).

▲
Women in the village of Puprea in northern Cambodia distribute humanitarian relief money. In 2007, a flash flood hit Puprea, destroying most of its rice fields. Initially humanitarian funds were used to address immediate needs such as food and medicine. Subsequent monies are to be invested in tools—such as fishing nets, seeds, and garden tools—that will support the community's efforts to maintain steady sources of income.

Photo by Jim Holmes / Oxfam America

In the US, a real barrier to the harmonization of ODA has been the centralization of decision making in Washington. When programs are set in contractual stone in Washington and then outsourced to companies who make their profits by implementing those contracts, field operatives have limited ability and inclination to use discretion to harmonize or coordinate investments with others. Risk and innovation are discouraged while working toward the letter of Congressional demands (if not the spirit) is rewarded.

According to the World Bank, “In 2002, 25 bilateral donors, 19 multilateral agencies and some 350 NGOs were present in Vietnam. In total, over 8,000 projects were carried out at the same time. Before a reform of donors in Tanzania, the minister of finance had to produce 10,000 reports each year and receive 2,000 delegations, each of whom wished to be received by the highest powers of state. In Zambia, the minister of finance managed the 1,200 accounts of different donors.” (World Bank website under Trade Research).

The EC Donor Atlas shows that even in Mozambique, where donors are most “advanced” in harmonizing procedures and supporting recipient budgets and priorities, still nearly 1,000 different donor activities are underway, with the average activity valued at less than \$2 million.

Box 1. Why harmonization matters

As more states develop poverty reduction strategies (PRSs) to meet World Bank and IMF requirements for debt forgiveness and low interest loans, donors face more pressure to harmonize under those plans. While PRSs represent a step forward from the structural adjustment programs of the 1990s, they are far from sufficient evidence of genuine country ownership and harmonization. The homogeneity of analyses, approaches, and priorities across all PRSs to date, which allow donors to easily situate their own global development priorities, suggests that it is donors and the Washington Consensus that are exercising ownership in these poverty reduction strategies, not the governments receiving aid.

While we live in a global and interdependent world, smart development relies on both responsible state ownership and active citizenship. When donors fail to appreciate the importance of ownership, aid rarely achieves a lasting impact. Unless local communities and their political leaders embrace the implementation, management, and aims of a development project, its positive impact is rarely significant or lasting; the design, targeting, and participation is rarely optimal; investments are not maintained; and opportunities to build on those investments are not captured and brought to scale.

POLICY RECOMMENDATION ❖

IF THE US WANTS TO BECOME A
SMART DEVELOPMENT LEADER,
US POLICY MAKERS SHOULD:

Harmonize all nonhumanitarian and fragile-state funding with existing development plans of recipient countries, and ensure those plans are genuinely owned and driven by the countries. Fulfilling this recommendation will require giving more authority to US decision makers in the countries, liberating the allocation of funding from achieving narrowly focused earmarks, objectives, purposes, and goals; and then committing to letting countries lead.

Recommit to supporting the MCC. As an implementing agency devoted to poverty reduction and state ownership, the MCC deserves the funding it was originally promised—\$5 billion a year. While the MCC is far from perfect, both in delivering results for citizenries and in giving real ownership to both states and citizenries, if it continues to focus strategically on both, over time it will strengthen the standing of the US as an effective and principled development partner.

Country leadership and management

Perhaps the most powerful indicator of a donor's willingness to put a country in the driver's seat is nonproject aid—funds channeled directly to a recipient country, which then determines how that funding should be spent on its development strategy. Evidence across Burkina Faso, Mozambique, Uganda, Vietnam, and other countries suggests that nonproject aid can effectively strengthen public financial management and improve access to services such as education and health care.⁴⁵ The key to making nonproject aid work lies in strengthening states' accountability and transparency toward their own citizens,⁴⁶ and recognizing that in dysfunctional states, nonproject aid can be expected to deliver very little.

Despite the benefits of nonproject aid, legislative constraints render it almost impossible for the US to provide aid. A September 2007 report by the Organization for Economic Cooperation and Development (OECD) found that of 25 major donors,⁴⁷ few countries gave less in nonproject aid than the US. While the British gave 41 percent and the EC 31.5 percent, the US gave less than 4 percent (Figure 3). Similarly, no major donor makes less use of recipient governments' procurement or public finance management systems for its funding.⁴⁸

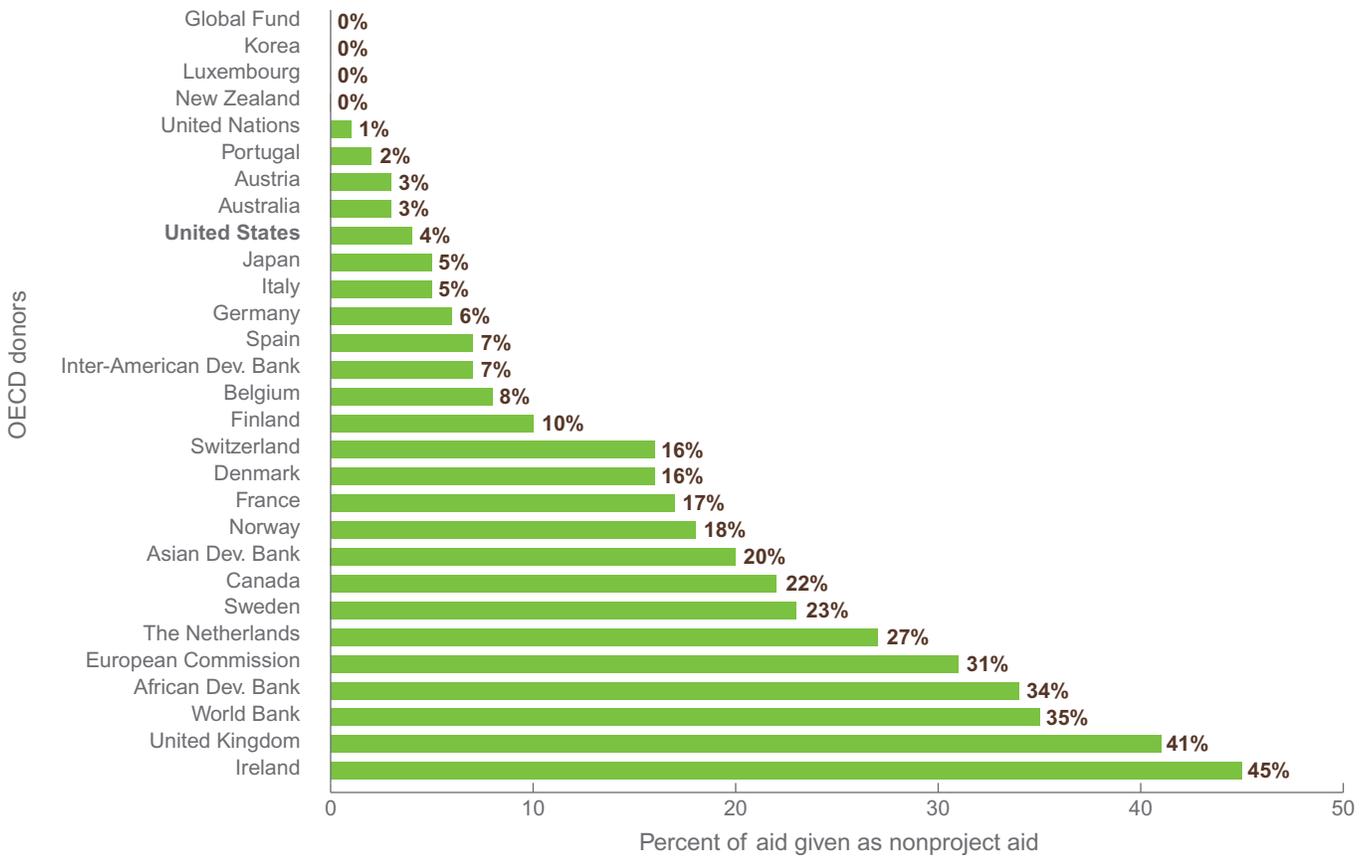
POLICY RECOMMENDATION ❖

IF THE US WANTS TO BECOME A
SMART DEVELOPMENT LEADER,
US POLICY MAKERS SHOULD:

Increase nonproject aid to developing country governments that have credible and transparent accounting and coherent development strategies. Increasing the percentage of funds going toward nonproject aid would strengthen the legitimate agenda of recipient country governments.

Figure 3. Nonproject aid

Source: 2006 Survey on Monitoring the Paris Declaration, Development Cooperation Directorate, OECD.



Predictable funding

Country ownership is also undermined by the appropriations process, which rewards agencies for delivering narrowly defined controls on a year-to-year basis and provides little space for handing over controls to foreign states or their citizens. With the notable exception of the MCC, US development agencies are prohibited from committing funding over the long term, making it difficult for operational agencies and recipient governments to plan. It is little wonder that in a 2004 Oxfam International survey, developing countries also rated the US as their weakest partner in terms of committing to the long term.⁴⁹

Allow for multiyear commitments of US foreign aid. Until US development agencies have mechanisms that assure funding over five years or more, recipients will never be able to plan or allocate US funding strategically, let alone exercise genuine ownership over this aid.

POLICY RECOMMENDATION

IF THE US WANTS TO BECOME A SMART DEVELOPMENT LEADER, US POLICY MAKERS SHOULD:



“Part of the explanation for the government’s failure to effectively plan a budget for HIV/AIDS stems from the lack of national oversight over the funding mechanisms and allocation of donor funding.”

Ugandan Ministry of Health officer

Untying aid

Results matter. No one—neither people living in poverty nor the American people upon whose generosity poor people depend—wants to see aid wasted. But driving for the wrong results can be as problematic as not seeking results at all.

Too much of US foreign aid is not measured against whether it has actually saved lives, helped people lift themselves out of poverty, or increased social justice for the poor—the results that will build a better, safer world for all. Instead, too often it is measured by how it has delivered revenues for US companies through the “tying of aid.”

The US ties its aid when it requires a recipient to spend some or all of its funding on American goods and services. Of the more than \$2.6 billion in aid that the US reported to the OECD’s Development Assistance Committee (DAC) for 2005, less than \$200 million was untied aid—about 7 percent of US foreign aid measured against an average donor country ratio of 82 percent (Figure 4).⁵⁰ From 2002 to 2004, one analysis estimated that the US tied an annual average of \$6 billion to the purchases of US goods and services.⁵¹ In short, the US ties more aid than any other donor.

All things being equal, there would be little harm in seeking auxiliary benefits from aid for the US economy. But all things aren’t equal. When aid goes on a round trip back to the US, the security and developmental impact of aid on poverty reduction is reduced—if only by the sharply discounted value of buying high-cost US products and services. Poor people pay the price.

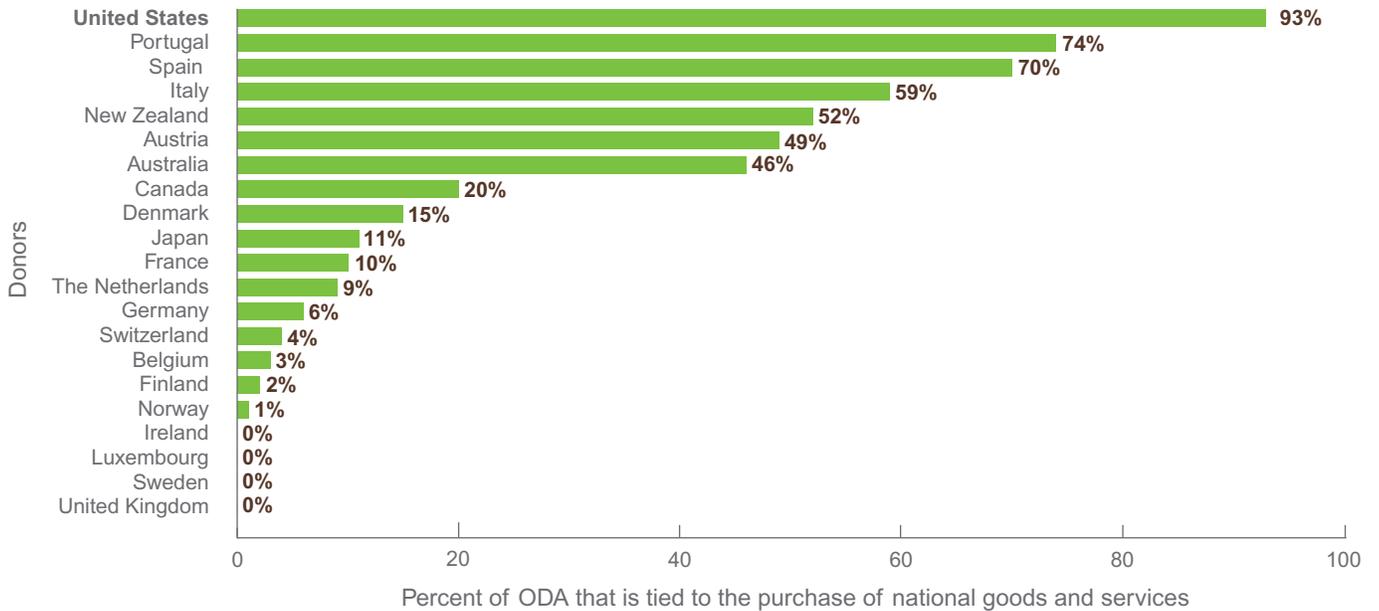
▲
Beadwork created by members of the Circle of Promise workshop in Soweto, South Africa.

Circle of Promise recruits and trains HIV-affected women in job skills and helps them earn money, support their families, and become more independent.

Photo by Brett Eloff / Oxfam America

Figure 4. In 2005, the US tied 93 percent of its foreign aid to the purchase of US goods and services

Source: 2006 Survey on Monitoring the Paris Declaration, Development Cooperation Directorate, OECD.



First, if development aid is an important element of the US national security strategy, tied aid sends precisely the wrong message to the public whose support it seeks to garner. As a Ugandan respondent said in an Oxfam Great Britain donor survey, “USAID is notorious for using US inputs, especially consultants. ‘All the money goes home’ is a popular saying with USAID.”

Second, there are cost inefficiencies. When food or other goods paid for by USAID are shipped abroad, they must be transported by US ships, regardless of price. USAID has paid US carriers as much as \$87.95 a ton even though the rate for some foreign ships has been as low as \$21.95 a ton.⁵²

Third, there are delivery inefficiencies. When Ethiopia faced its worst food emergency in a decade, USAID’s vegetable oil stocks were still being shipped out from the US. Local USAID staff requested permission from the headquarters in Washington, DC, to make local food purchases but were refused, apparently after pressure from the US farm lobby.⁵³

Fourth, those procurement restrictions often eliminate options for local delivery. For example, in Cambodia USAID-funded NGOs must award contracts over a minimum threshold to US companies. In one case, this would have forced a local health care NGO to buy oral rehydration salts at four to five times the price of locally available sachets.⁵⁴ With the notable exception of the MCC, the legislation for which has no “buy America” clause, procurement constrictions on US foreign aid consistently prioritize a form of short-term results—revenues for US companies and consultants—over the longer term impact on poverty.

ಅಂತಿಮ ಪ್ರಶ್ನೆಗೆ ಉತ್ತರಿಸಿ ಉತ್ತರಿಸಿ
 1. U.S. AID ಫಂಡಿಂಗ್ (5)
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 3. ಇಂಟರ್ನಾಷನಲ್ ಫಂಡಿಂಗ್ (4)
 4. ಡಿ.ಡಿ. ಫಂಡಿಂಗ್ (1) (1)
 5. C.C.F. ಫಂಡಿಂಗ್ (4)
 6. ಬೀಜಾಪುರ ತಾಂತ್ರಿಕ ಸಹಾಯ (1) (1)
 7. ಫಿಲಿಪೈನ್ಸ್ (7)
 8. ಡಿ.ಡಿ. ಫಂಡಿಂಗ್ (1) (1)
 9. ಇಂಟರ್ನಾಷನಲ್ ಫಂಡಿಂಗ್ (5)
 10. ಫಂಡಿಂಗ್ (4)

“USAID is notorious for using US inputs, especially consultants. ‘All the money goes home’ is a popular saying with USAID.”

Ugandan respondent to a British donor survey

Fifth, the US spends more on international technical assistance than any other donor—almost half its ODA by one account.⁵⁵ The bulk of that funding goes to US consultants whose real expertise is often knowing how to adhere to complex US procurement and administrative procedures rather than having knowledge of context, experience in the field, language skills, or a long-term poverty reduction orientation.

POLICY RECOMMENDATION

IF THE US WANTS TO BECOME A SMART DEVELOPMENT LEADER, US POLICY MAKERS SHOULD:

Untie aid. Tied aid undermines the developmental impact of US foreign assistance, handcuffs the ability of US in-country staff to identify the most cost effective mechanisms for delivering results, and undermines the long-term political and security agenda by sending the message that the real purpose of US foreign assistance is to line the pockets of US businesses.

The Need for Major Reform of US Foreign Aid

Proponents of reforming US aid face a challenge: Should reform efforts be ambitious and risk failure or focus on incremental but less meaningful change with a greater possibility for success in the first year of a new administration? Most agree on the need for reforms, but the scope of their ambitions varies significantly.

Oxfam America calls for ambitious reforms to US foreign assistance. Change is needed, from aid's legislation, organizational structure, strategy, and implementation, to a substantive rethink of development in the field. These reforms will happen in 2009 only if a new president and Congress come together with civil society to make sure that US foreign assistance reflects the best aspirations and character of the American people. Our foreign aid should lead global development efforts; it should put developing states, communities, and citizens in the driver's seat; and it should strive to get as much value as possible for the poor out of every aid dollar. Oxfam believes that there is currently both the will and opportunity to maximize smart development, and we intend to work with others to make reform happen.



Participants in a workshop in Sri Lanka identify various NGOs and funding agencies working in tsunami-affected areas. The majority of people in the developing world understand who supports them and why. When they receive development aid focused on the best interests of their communities, they recognize that generosity.

Photo by Atul Loke / Panos for Oxfam America

Notes

1. Secretary of Defense Robert M. Gates, remarks delivered at Landon Lecture, Kansas State University, Manhattan, KS, Nov. 26, 2007.
2. See, generally, Jeremy Weinstein, John E. Porter, and Stuart E. Eizenstat, "On the brink: Weak states and US national security" (Washington, DC: Center for Global Development, 2004), a report of the Commission on Weak States and US National Security.
3. Richard L. Armitage and Joseph S. Nye Jr., "CSIS Commission on Smart Power: A smarter, more secure America" (Washington, DC: Center for Strategic and International Studies, 2007), pre-publication draft.
4. For several references to studies making the link between weak states and US national security, see Stewart Patrick and Kaysie Brown, "Fragile states and US foreign assistance: Show me the money" (Washington, DC: Center for Global Development, 2006), Working Paper No. 96.
5. See Charles F. Wald, "New thinking at USECOM: The Phase Zero Campaign," Joint Force Quarterly, no. 43 (4th quarter 2006): 72.
6. Stewart Patrick, "The US response to precarious states: Tentative progress and remaining obstacles to coherence" (Washington, DC: Center for Global Development, 2007).
7. John A. Nagl, David H. Patraeus, James F. Amos, and Sarah Sewall, "The US Army/Marine Corps counterinsurgency field manual" (Chicago: University of Chicago Press, 2007).
8. The US Africa Command (AFRICOM) was established as a subunified command under the US European Command on Oct. 1, 2007, and is directed to achieve full capability as a stand-alone command by October 2008. The Department of Defense has signaled its intention to eventually locate AFRICOM on the African continent. See Lauren Ploch, "Africa Command: US strategic interests and the role of the US military in Africa" (Washington, DC: Congressional Research Service, 2007).
9. Other donor models for balancing this civilian and military authority deserve scrutiny in the development of AFRICOM. The British Africa Conflict Prevention Pool (ACPP) brings together the Department for International Development (DFID), the Foreign and Commonwealth Office (FCO), and the Ministry of Defense (MOD), supported by the treasury and coordinated at the ministerial level by the Cabinet Office. Oxfam believes the better balance of power and resources between the diplomatic, development, and defense wings of the ACPP model is one reason it has faced less criticism than AFRICOM from African civil society and military leaders. (AFRICOM is led by a disproportionately powerful Department of Defense, while the Department of State is under-resourced and a US department for development doesn't exist.)
10. See Guy Raz, "New US command in Africa faces skeptics," Morning Edition, National Public Radio, Oct. 18, 2007.
11. The military has not only saved millions of lives in humanitarian emergencies like Somalia (1993), but it has historically engaged in reconstruction activities for purposes of intelligence gathering, force protection, and winning over "hearts and minds" toward its broader security agenda.
12. Secretary of Defense Robert M. Gates, remarks delivered at Landon Lecture, Kansas State University, Manhattan, KS, Nov. 26, 2007.
13. "Strategic plan FY 2007–12: Transformation diplomacy" (Washington, DC: Department of State/US Agency for International Development [USAID], 2007), 10.
14. Leo Hindery Jr., Jeffrey D. Sachs, and Gayle E. Smith, "Appendix 11: Additional views by commissioners," in "Beyond assistance: The HELP Commission report on foreign assistance reform" (US Commission on Helping to Enhance the Livelihood of People Around the Globe, 2007).
15. "The United States Development Assistance Committee (DAC) peer review" (Paris: Organization for Economic Cooperation and Development [OECD], 2006), 26.
16. Leo Hindery Jr., Jeffrey D. Sachs, and Gayle Smith, "Appendix 11: Additional views by commissioners," in "Beyond Assistance: The HELP Commission report on foreign assistance reform" (US Commission on Helping to Enhance the Livelihood of People Around the Globe, 2007).
17. HR 2764, Department of State, Foreign Operations, and Related Programs Appropriations Act, 2008, Public Law 110-161, 110th Cong. (Dec. 26, 2007).
18. Michele Lerner and Charles Uphaus, "Development assistance: Quantity and quality" (Washington, DC: Bread for the World, 2006), Background Paper No. 185.
19. Peter McPherson and Brian Atwood, memo to the HELP Commission, "The organization of US foreign assistance programs," Oct. 15, 2007.
20. The military recognizes this fact, acknowledging that "the host national doing something tolerably is normally better than us doing it well." See John A. Nagl, David H. Patraeus, James F. Amos, and Sarah Sewall, "The US Army/Marine Corps counterinsurgency field manual" (Chicago: University of Chicago Press, 2007), 49.
21. See "Rising environmental concern in 47-nation survey: Global unease with major world powers" (Washington, DC: Pew Global Attitudes Project, 2007).
22. Richard G. Lugar, "Embassies grapple to guide foreign aid," a report to the Senate Committee on Foreign Relations, 110th Cong., 1st sess., Nov. 16, 2007.
23. A personal conversation with an expert who has read the Foreign Assistance Act further emphasized the complexity in the act. This expert noted that upon one reading, he came up with 33 objectives, yet from a subsequent reading, 34 objectives, suggesting that the number of goals can actually vary according to how one reads the act.

24. Steven Radelet, testimony to the Senate Foreign Relations Subcommittee on International Development and Foreign Assistance, Economic Affairs, and International Environmental Protection, June 12, 2007.
25. Steven Radelet, testimony to the Senate Foreign Relations Subcommittee on International Development and Foreign Assistance, Economic Affairs, and International Environmental Protection, June 12, 2007.
26. Richard G. Lugar, "Embassies grapple to guide foreign aid," a report to the Senate Committee on Foreign Relations, 110th Cong., 1st sess., Nov. 16, 2007.
27. One current, important aid debate pits Jeffrey D. Sachs, who advocates better planning and more resources for aid, against William Easterly, who wants aid to focus less on planning and more on searching for ideas that can be modeled contextually. As long as US foreign assistance remains fragmented without flexibility, and controlled without coherence in its aims, legislation, organization, and implementation, this debate and its findings will remain immaterial, for US foreign assistance can neither plan strategically nor become more open and responsive and adaptable to the lessons of the field and the demands of the 21st century. See, generally, Jeffrey D. Sachs, "The end of poverty: Economic possibilities for our time" (New York: Penguin Press, 2005) and William Easterly, "The white man's burden: Why the West's efforts to aid the rest have done so much ill and so little good" (New York: Penguin Press, 2006).
28. Ambassador Randall L. Tobias, testimony to the House Committee on Foreign Affairs, 110th Cong., 1st sess., March 8, 2007, 12.
29. In March 2007, the failure of the F Bureau to consult adequately with Congress, nongovernmental organizations, and field professionals became evident. What could have been seen as innovation was considered overreaching. As Foreign Affairs Committee Chairman Tom Lantos commented: "Ambassador Randall Tobias, as the first-ever director of foreign assistance, you have been on the job for over a year. Your task was to reshape—carefully, delicately—and to bring order to our country's tangled thicket of assistance efforts overseas. Instead, it appears to many members of this committee, you took to it with a weed whacker, and the results are predictably unfortunate" (House Committee on Foreign Affairs, 110th Cong., 1st sess., March 8, 2007, 1).
30. Rather than soliciting support from Congress, the F Bureau has put in place administrative reforms and reporting burdens upon aid professionals and partners.
31. Richard G. Lugar, "Embassies grapple to guide foreign aid," a report to the Senate Committee on Foreign Relations, 110th Cong., 1st sess., Nov. 16, 2007.
32. "After smart weapons, smart soldiers," *Economist*, Oct. 25, 2007.
33. Anne O. Krueger, "Economic policies at cross-purposes: The United States and developing countries" (Washington, DC: Brookings Institution, 1993), 40.
34. Anne O. Krueger, "Economic policies at cross-purposes: The United States and developing countries" (Washington, DC: Brookings Institution, 1993), 42.
35. See InterAction President and CEO Sam Worthington, letter to Senator Richard G. Lugar, July 2, 2007.
36. James R. Kunder, assistant administrator of USAID, quoted at an Advisory Committee on Voluntary Foreign Aid meeting. Cited by InterAction President and CEO Sam Worthington, letter to Senator Richard G. Lugar, July 2, 2007.
37. See InterAction President and CEO Sam Worthington, letter to Senator Richard G. Lugar, July 2, 2007.
38. The former USAID administrator, Andrew S. Natsios, was "forced to outsource jobs that require technical expertise to other US government agencies like the Department of Health and Human Services and the Department of Agriculture. This is problematic, according to Natsios, because the USAID administrator lacks direct control over his own workforce, even when it comes to employees of the United States government" (Andrew Natsios, interview by InterAction, June 29, 2007, cited in letter from InterAction President and CEO Sam Worthington to Senator Richard G. Lugar, July 2, 2007).
39. Peter McPherson and Brian Atwood, "The organization of US foreign assistance programs," memo to the HELP Commission, Oct. 15, 2007.
40. Greg Behrman, "The most noble adventure: The Marshall Plan and the time when America helped save Europe" (New York: Simon and Schuster, 2007), 247.
41. Tobias helped to develop the "three ones" principle when he was the US global AIDS coordinator (see www.state.gov/s/gac/r/rm/2004/39273.htm) and brought those principles to the F process when he became the director of US foreign assistance (interview with former staff member, Sept. 25, 2007).
42. While reporting on the use of aid may be vital to ensure accountability, the transaction costs need to be measured against impact, and donors should require this to be done at a minimum cost to the government systems that they aim to support.
43. "The World Bank's work in the poorest countries: Five recommendations for a new IDA" (Washington, DC: Center for Global Development, 2007), report of the IDA15 (International Development Association) Working Group.
44. See Stefano Curto, "Changing aid landscape," *Picture This, Finance and Development* 44, no. 4 (December 2007).
45. University of Birmingham International Development Department (IDD) and associates, "Evaluation of general budget support: Synthesis report" (Birmingham, UK: IDD, University of Birmingham, 2006), Joint Evaluation of General Budget Support 1994–2004, a study coordinated by the IDD, School of Public Policy, University of Birmingham, under the auspices of OECD.
46. See "Poverty, aid, and corruption" (Berlin: Transparency International, 2007), policy paper.
47. Oxfam defines a "major donor" from that report as one who reported more than \$100 million disbursed in foreign aid in 2005.
48. The US channels about 12 percent of its funding through local procurement systems (against an international average of 38 percent) and 10 percent of its funding through the public finance management systems, such as budget execution, financial reporting, and auditing of recipient countries, compared with 75 percent for the UK and an average across all major donors of 33 percent ("OECD 2006 donor survey overview" [Paris: OECD, 2007], 82).
49. "Paying the price: Why rich countries must invest now in a war on poverty" (Oxford, UK: Oxfam International, 2005).
50. "OECD 2006 donor survey" (Paris: OECD, 2007), 85.
51. Save the Children UK, "Tied aid costs poor countries US\$6bn a year," news release, April 2, 2007, www.savethechildren.org.uk/en/41_511.htm.
52. James L. Hecht, "Good intentions: The mismanagement of foreign aid," *Christian Century*, Nov. 6, 1996.
53. "Real aid: An agenda for making aid work" (Johannesburg, South Africa: ActionAid International, June 2005).
54. After a search for alternative funding, the organization was eventually able to procure aid locally through the World Health Organization ("Paying the price: Why rich countries must invest now in a war on poverty" [Oxford, UK: Oxfam International, 2005], 47).
55. "Real aid: An agenda for making aid work" (Johannesburg, South Africa: ActionAid International, June 2005).



PAIX

GAMBIE

Diouloulou

océan

Tendouk

Kabatou

Dussou

Kabou



Sidy Ndiaye, 12, a student at the Bassebo Diandy primary school in Senegal, participates in a theater performance to promote peace—part of a special curriculum to teach students about nonviolence and citizenship in areas affected by conflict.

Photo by Rebecca Blackwell / Oxfam America

Cover: Community members walk in a cereal store built in Dasilami, Gambia. Cereal stores like this one stock corn and t. Construction of such stores allows communities to create a cheap, readily available food supply on which they may draw in times of environmental or economic crisis.

Photo by Rebecca Blackwell / Oxfam America



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