



# FOREIGN AID 101

A QUICK AND EASY GUIDE TO UNDERSTANDING  
US FOREIGN AID

SECOND EDITION



Right the Wrong **OXFAM**  
America

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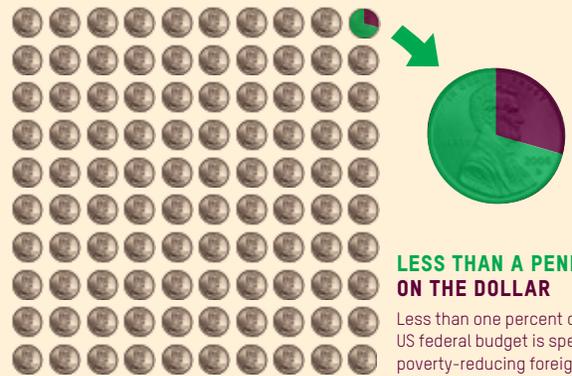
- National security
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Eighty-one percent of the US public hold the view that developed countries have "a moral responsibility to work to reduce hunger and severe poverty in poor countries."

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Less than one percent of the US federal budget is spent on poverty-reducing foreign aid.

The US spent \$30.55 billion on official development assistance in 2012.

#### HOW MUCH DOES THE US GOVERNMENT SPEND ON DEVELOPMENT AID PER PERSON?

 **\$80.37**  
DEVELOPMENT AID

#### COMPARE THAT TO HOW MUCH AMERICANS SPEND ON:

 **\$101.76**  
CANDY

 **\$126.02**  
LAWN CARE

 **\$204.78**  
SOFT DRINKS

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Major initiatives on US foreign aid have been rolled out over the past decade, including:

- the first ever US Global Development Policy
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- Millennium Challenge Corporation (MCC)
- the Foreign Assistance Dashboard, a public website to make US foreign aid more transparent

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Oxfam recommends:

1. Focus aid on fighting poverty.
2. Put more aid resources into the hands of effective local leaders.
3. Provide more transparent information about US aid programs.



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Extreme poverty is a persistent and demanding global challenge. In 2015, some one billion people will earn less than \$1.25 per day. Among them, women and girls are more likely to face extreme poverty.<sup>1</sup>

But these aren't just numbers....

These are real people. All over the world, people like Emiliana Aligaesha (pictured) are making the move from daily subsistence to providing a better life for their families.

Aligaesha is a successful Tanzanian farmer and community leader, who formed a farmer's cooperative in the Karagwe District of northwest Tanzania in 2007. After getting support from US Agency for International Development (USAID), her cooperative, Kaderes Peasant Development Ltd., won a contract to supply beans to the World Food Programme (WFP). This partnership with local farmers saves the money and time it might take for WFP to bring the same goods from other parts of the world during humanitarian crises.

Today US foreign aid is moving beyond handouts.

Rather than just sending food to women like Aligaesha, the US is doing more to support their efforts to produce more food and escape poverty for good. She and her fellow farmers stand to

benefit if changes to US policy enable more local and regional purchases of food aid for people facing food insecurity. Such aid reforms would also strengthen markets for hardworking and innovative farmers like Aligaesha.

With US poverty-reducing aid supporting her efforts, Aligaesha today owns six cows, operates her own irrigation systems, and supplies seedlings to other villagers. Most importantly to this former teacher, she has managed to put her eight children through college.

The US government does not give aid just because Emiliana Aligaesha has a compelling story. Rather, the challenges caused by poverty and inequality that Aligaesha has faced are the very same challenges to security, prosperity, and values posed to the US when nearly 35 percent of the world's population—2.4 billion people—struggle to survive on less than \$2 per day.<sup>2</sup>

“Foreign Aid 101” is a publication designed to provide a factual overview of US foreign aid, dispel common myths about poverty-reducing aid, and describe current reforms to make sure aid is a better tool to help people like Emiliana Aligaesha lift themselves and their communities out of poverty.

# WHY DOES THE US GIVE FOREIGN AID?

The US gives aid to countries for many reasons, including the following:

- **NATIONAL SECURITY**—Aid can support efforts to reduce poverty and injustice, which fuel social tensions and destabilize countries.
- **ECONOMIC INTERESTS**—Aid can support the generation of demand for US goods and can help build stable trading partners.
- **OUR VALUES**—Providing aid in the right ways can advance human rights and democracy, demonstrate the goodwill of the American people, and build a better and more just world.

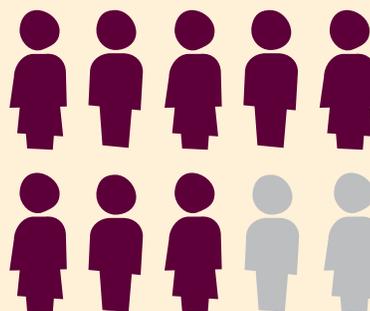
Programs funded by US foreign aid may fight terrorism or drugs in other countries; respond to disasters and conflicts; spur economic development; ensure basic services, like vaccines, clean water, education, and access to credit; or increase governments' accountability to their own people.<sup>3</sup>

Thus foreign aid is a broad term that includes many types of US assistance, from the "150 account" to poverty-focused assistance.

// Progress in the most impoverished parts of our world enriches us all. In many places, people live on little more than a dollar a day. So the United States will join with our allies to eradicate such extreme poverty in the next two decades. //

PRESIDENT BARACK OBAMA, STATE OF THE UNION ADDRESS, 2013

## A BROAD CONSENSUS: AMERICANS SUPPORT AID FOR PEOPLE IN POOR COUNTRIES.



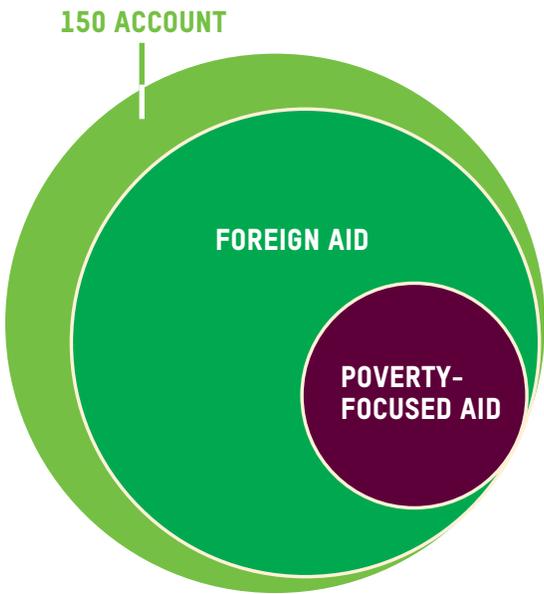
Eighty-one percent of the US public hold the view that developed countries have "a moral responsibility to work to reduce hunger and severe poverty in poor countries" (WPO, 2008). Americans also believe that it is in rich countries' own interest to help poor countries develop.<sup>4</sup>

For example, a 2010 poll of the Chicago Council on Global Affairs found 74 percent of respondents favoring "food and medical assistance to people in needy countries" and 62 percent favoring "aid that helps needy countries develop their economies."<sup>5</sup>

### SO WHY DO POLLS SHOW AMERICANS WANT TO CUT AID?

Those same polls show that Americans vastly overestimate how much the US spends on aid—believing it to be over 30 times as much as the reality.<sup>6</sup>

**“FOREIGN AID” IS A BROAD TERM THAT INCLUDES MANY TYPES OF US ASSISTANCE.**



See page 6 comparison of federal budget figures.

### **THE INTERNATIONAL AFFAIRS BUDGET OR THE “150 ACCOUNT”**

The basket of the federal budget that includes the resources to fund US activities abroad. In addition to funds for overall foreign aid and USAID, it also covers the Department of State’s diplomatic expenditures and costs incurred protecting the interests of US businesses and citizens overseas. Other programs funded in the international affairs budget include -the Peace Corps, contributions to international organizations (e.g., the UN), peacekeeping operations, and agricultural programs (e.g., PL 480 Title II and other food assistance).

### **FOREIGN AID, OR FOREIGN ASSISTANCE**

The blanket term for all the assistance the US gives to other countries. In addition to helping people in poor countries, foreign aid provides money to military and political allies for strategic purposes, for example, to Iraq and Afghanistan for reconstruction purposes, for Israel and Jordan for their value to US strategic interests in the region; to Pakistan for its cooperation against terrorism; and to Colombia for counter-narcotics programs. Politically driven foreign aid may help lift people out of poverty, but in general that is not its primary purpose.<sup>7</sup>

### **POVERTY-FOCUSED DEVELOPMENT AID<sup>8</sup>**

Specifically directed toward improving livelihoods and promoting economic growth, providing much-needed services, such as health care and schooling, and creating lasting solutions to poverty. For example, poverty-focused development aid helps to increase maize farmers’ yields in Kenya, prevent famine in Ethiopia, and improve girls’ access to primary school in Bangladesh. This aid also helped alleviate the suffering of communities in Indonesia’s Aceh province after the 2004 tsunami, in Haiti following the 2010 earthquake, and in the Philippines following Typhoon Haiyan in 2013, helping people to rebuild their lives.

## A SHORT HISTORY OF US FOREIGN AID

- 1910/1920s** US government sends food to war-torn Belgium and supports relief for the Russian famine.
- 1940s** The US creates its first major foreign aid program—the Marshall Plan—in 1948 to rebuild Europe’s economy and safeguard against radical ideologies taking root following World War II.
- 1960s** Congress passes the Foreign Assistance Act, creating USAID in 1961.
- 1980s** The mid 1980s begins a downward trend in aid spending, which continued through end of the Cold War.
- 1990s** As a result of downsizing, USAID capacity suffers a steep decline and the agency shifts from directly employing technical assistance to managing grants and contracts.
- 2000s** Development is included as one of three pillars of US national security. The President’s Emergency Plan for AIDS Relief (PEPFAR) is created in 2003 and renewed in 2008. President George W. Bush creates the Millennium Challenge Corporation (MCC) in 2004.
- 2010s** President Barack Obama signed the first US Presidential Policy Directive on Global Development and the first Quadrennial Diplomacy and Development Review (QDDR) is completed, harmonizing foreign assistance policies across US agencies and elevating the role of development alongside diplomacy in US national security and foreign policy.

## WHICH US GOVERNMENT AGENCIES PROVIDE DEVELOPMENT AID?

USAID is the primary agency responsible for development aid. Other foreign aid is provided across an additional 26 government agencies – including MCC, the Peace Corps, and the departments of State, Defense, Treasury, Health and Human Services, and Agriculture – or through smaller initiatives, such as under the Office of the United States Trade Representative, the Overseas Private Investment Corporation, or the Environmental Protection Agency.<sup>9</sup>



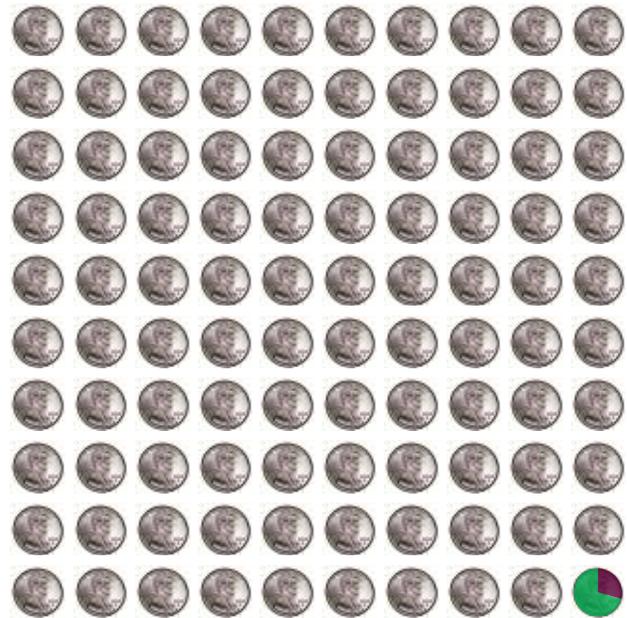
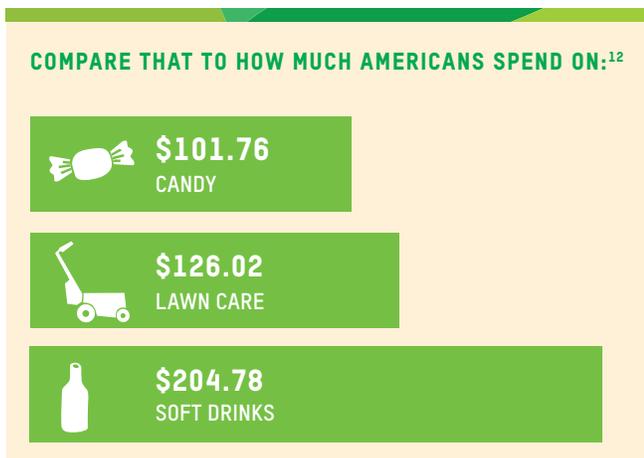
Lasting health care solutions need functioning public health systems. In Rwanda, budget support has allowed the government to increase health expenditures fivefold. Here, a nurse gives a prescription to a female patient at Kibuga Health Center, near Nyagatare. *Kate Holt / Oxfam*

# HOW MUCH DOES FOREIGN AID COST?

Americans overestimate how much money the US government spends on foreign aid. Surveys report that, on average, Americans think the US spends as much as 30 percent of the federal budget on foreign aid, more than Social Security or Medicare. They think we should spend 13 percent.<sup>10</sup>

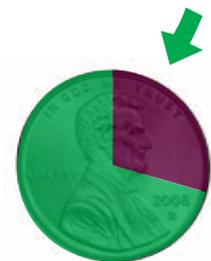
In fact, the entire international affairs budget—which includes diplomacy and development—is less than two percent of the federal budget. Poverty-focused development aid is less than half of that: 0.7 percent of the US federal budget in fiscal year 2013. Thus, cutting foreign aid has virtually no effect on reducing the nation’s debt. It would, however, threaten the lives and livelihoods of millions of people worldwide.<sup>11</sup>

Although development aid is a small percentage of the US federal budget, in terms of absolute dollars the US is still the largest development aid donor around the world. In 2012, the US spent \$30.55 billion on official development assistance, about 0.19 percent of its gross national income.<sup>13</sup> That puts the US in nineteenth place among other major aid donors, behind most industrialized nations. For comparison, Britain contributed 0.56 percent of its national income on official development aid in 2012 (more than twice the US percentage).<sup>14</sup>



## LESS THAN A PENNY ON THE DOLLAR

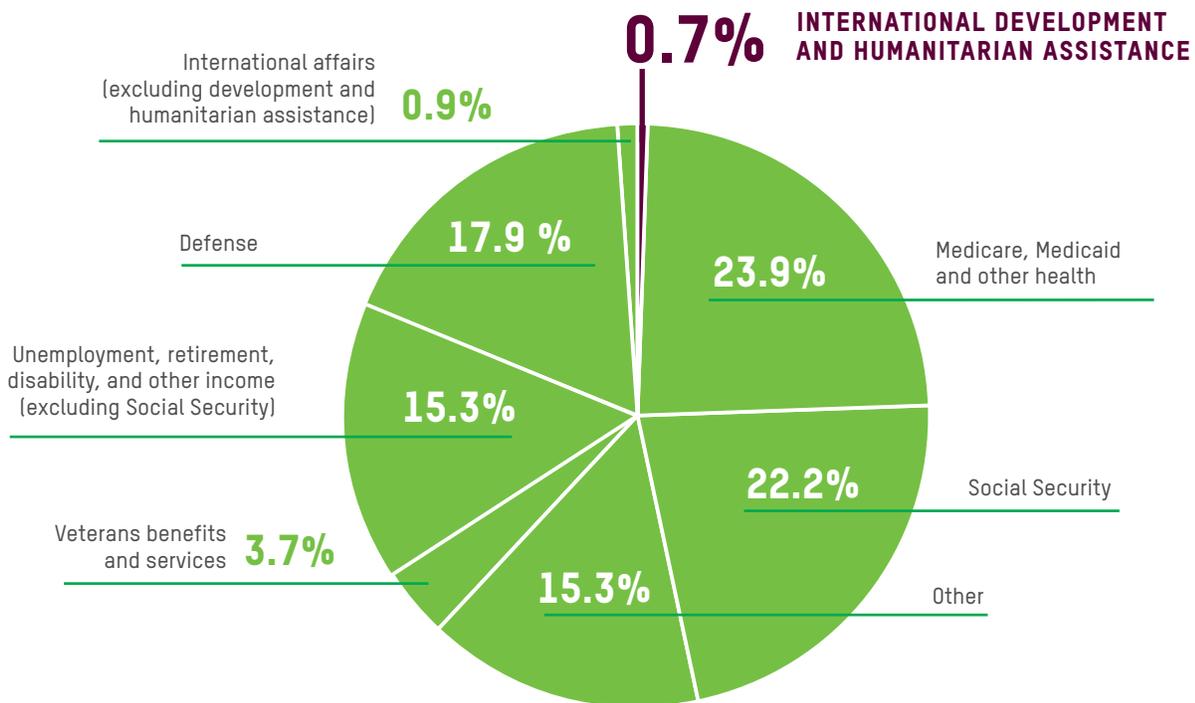
Less than one percent of the US federal budget is spent on poverty-reducing foreign aid.





The US provides emergency food aid, like these sacks of rice, and other humanitarian relief where it is desperately needed. But under a new emphasis on growth, the US is also helping to build the capacity of people and their governments to meet their own needs. *Toby Adamson / Oxfam*

## HOW MUCH DOES THE US GOVERNMENT SPEND ON DEVELOPMENT AID COMPARED TO THE REST OF THE FEDERAL BUDGET?



Fiscal year 2013 budget data obtained from "Historical Tables: Budget of the US Government," Table 3.2, "Outlays by Function and Subfunction: 1962-2018" (accessed January 29, 2014, [www.whitehouse.gov/omb/budget/Historicals](http://www.whitehouse.gov/omb/budget/Historicals), Subfunction 151). "International development and humanitarian assistance" is used as a proxy for poverty-focused aid.

## DEVELOPMENT AID: MYTHS AND FACTS ABOUT AID

### MYTH:

The US government spends 25 percent of its revenue on foreign aid.

### FACT:

Americans vastly overestimate how much the US spends on aid. Surveys report that, on average, Americans think the US spends as much as 30 percent of the federal budget on foreign aid, more than Social Security or Medicare.

In fact, the entire international affairs budget—which includes diplomacy and development—is less than two percent of the federal budget. **The reality is that poverty-focused development aid is less than half of that: 0.7 percent of the US federal budget in fiscal year 2012.**<sup>15</sup> For more information, see pages 10-11.

### MYTH:

Most development aid is provided directly to foreign governments.

### FACT:

The US government provides poverty-reducing development aid through multiple channels, but generally through US-based government contractors and non-governmental organizations (NGOs), and also through regional and multilateral organizations. **In 2013, only 14.3 percent of USAID mission funds were awarded directly to local institutions**, which include host country government agencies, private-sector firms, and local NGOs.<sup>16</sup>

USAID Forward is bolstering efforts to invest directly in partner governments and local organizations where the capacity exists, and strengthening it where there are gaps, so partner governments and local organizations can provide for their own citizens. (See more on page 10.)

### MYTH:

Development aid is just wasted by corrupt governments.

### FACT:

Foreign aid can push governments to do the right thing. **USAID has tools in place to address specific capacity gaps in country systems and minimize the risk of fraud and abuse.**<sup>17</sup> Experience shows that US agencies provide assistance in ways that can:

- Serve as an incentive for improved management of public revenues
- Strengthen checks and balances and be a deterrent to corruption
- Assist governments to end aid dependency
- Increase accountability to both local people and taxpayers

Additionally, one US agency, the MCC, works only with the highest-performing governments, based on their performance on a set of indicators, including transparency and anticorruption efforts. Qualifying for MCC funding has created an incentive for some governments to improve, sometimes referred to as the “MCC effect.”<sup>18</sup>

### MYTH:

Providing aid just lets recipient governments off the hook for taking care of their citizens.

### FACT:

**Donors can provide aid in ways that hold country governments accountable for doing their share.** In Rwanda, for example, as donors gave direct support to the government, the government increased its spending on health care, while simultaneously decreasing defense spending.<sup>19</sup> And in 2005, after receiving direct support, the countries of Burkina Faso, Malawi, Mozambique, Nicaragua, Rwanda, Uganda, and Vietnam increased social services.<sup>20</sup>

# DEVELOPMENT AID: LESSON LEARNED



Mayor Manuel Dominguez is leveraging a tiny investment of US foreign aid to budget for a sound future for his community of San Martin Alao in Peru. Alexis Huaccho Magro / Oxfam

## **DO: INVEST IN EFFECTIVE LOCAL LEADERS AS THEY STRIVE TO BUILD AND STRENGTHEN LOCAL SYSTEMS.**

Mayor Manuel Dominguez (pictured left) had been trying for years to deal with the increasing piles of trash in his town of San Martin Alao in northern Peru. A mountain of waste was rising as the population grew, actually obstructing views of the Amazon forest and causing pollution and health risks.

While Dominguez was fully committed to using his limited city budget as best as he could to tackle the problem, he wasn't able to do so until USAID provided support to the Peruvian Ministry of Environment in 2008. This enabled a multi-month training series, mentoring, and hands-on tools for 1,500 local officials across four of the poorest regions of the country.

**"What the USAID partnership allowed us to do was to bring together all these different needs, actors, and resources at national, regional, and local levels, which already existed in Peru, to solve a shared problem,"** said Rosa Salas, director of the project at the Peruvian Ministry of Environment.

Armed with new skills, Mayor Dominguez created a comprehensive plan for local waste management that was eventually funded through the Peruvian Ministry of Finance.

USAID support to government institutions not only ensures that Peru and other countries' priorities are addressed, but it also strengthens the ability of government officials to respond effectively to citizens' needs. Perhaps most importantly, USAID helped unlock domestic resources within Peru.

**"For the first time, we were able to make [a] quality public investment of this size in San Martin Alao,"** Mayor Dominguez said after he and his staff succeeded in getting funds from his government.

Peruvian taxpayer money has now been allocated for 127 municipalities to participate, benefitting an expected 5.65 million people.

**"My people and I can stop pollution in our district. We just needed a partner,"** Dominguez said.



Senate Treasurer Fritz Carlos Lebon expresses his frustration at receiving a building from USAID that was not prepared to meet the needs of Haiti's Parliament. Jacob Kushner / GlobalPost

## **DON'T: NEGLECT ENGAGEMENT WITH THE LOCAL ACTORS WHO WILL USE THE INVESTMENT AFTER THE US DOLLARS ARE SPENT.**

The Haitian Parliament lost its building and 32 of its staff members in the 7.0-magnitude earthquake that struck Port-au-Prince in January 2010. Following this tragic event, the US government invested \$1.9 million to build a temporary home for the Parliament.

In March 2012 however, four months after "completion" of the project, the building was empty and undergoing extensive renovation. The Haitian Treasury was investing their own resources to make the building functional.

Haitian Senate Treasurer Fritz Carlos Lebon (pictured left) said the building wouldn't hold Haiti's 129 legislators. It did not allocate space for entryways and lacked interior walls to allow for offices, waiting rooms, or bathrooms.

**"It may cost more for us to renovate it than for them to build it in the first place,"** Lebon said.

But legislators say the costly renovation might have been avoided if Chemonics, a for-profit contractor that received the \$1.9 million contract, had invited legislators to participate more meaningfully in the design process.

**"It's like they didn't even know how many senators and deputies Haiti has,"** said Cholzer Chancy, Lebon's counterpart in Haiti's Chamber of Deputies.

**"We will use it eventually, once we finish transforming it,"** Ariel Joseph, secretary general of Haiti's Senate, said of the lengthy and costly delays.<sup>21</sup>

# WHAT IS THE US DOING TO MAKE FOREIGN AID MORE EFFECTIVE?

Presidents George W. Bush and Barack Obama, each in partnership with Congress, rolled out major initiatives on US foreign aid over the last decade.

## AFFIRMING AID'S PURPOSE

President Barack Obama issued the US government's first ever **US Global Development Policy** in September 2010.<sup>22</sup> The policy clarifies that the primary purpose of US development aid is to pursue broad-based economic growth as the means to fight global poverty.

The US Global Development Policy also offers a clear mandate for country ownership—that is, leadership by citizens and responsible governments in poor countries—is how the US government will support development. The US has been moving in this direction since the George W. Bush administration. Various US government agencies and initiatives are focused on putting the country ownership approach into action, including USAID Forward, Feed the Future, and the MCC; in addition, the US has made commitments to the International Aid Transparency Initiative (IATI).

## MODERNIZING USAID

**USAID Forward** is a flagship reform agenda designed to make USAID more transparent, effective, and accountable to US taxpayers and to people overseas.

**THE ISSUE:** USAID Forward addresses outdated procurement policies that perpetuate a cycle of aid dependence, rebuilding staff technical capacity, the reduction of overhead costs associated with contracting by 12–15 percent, the need for rigorous program feedback and evaluation, and finally, the role of innovation, science, and technology throughout USAID's programs.<sup>23</sup> At the heart of this reform process is acknowledging the leading role that local people and institutions have in transforming their countries.

**THE RESULTS:** Since USAID Forward began, USAID has increased the amount of direct support to governments and to citizens and other leaders and problems solvers in host countries by almost 50 percent. In fiscal year 2010, only 9.7 percent of USAID mission funding was awarded directly to host country government agencies, private-sector firms, and local NGOs. In 2013, 14.3 percent of mission funds were awarded directly to these local institutions, which is halfway toward USAID's goal of 30 percent by fiscal year 2015.<sup>24</sup>



Nearly 9 out of 10 Americans believe that local community groups should have a say in how aid programs are implemented.<sup>25</sup>

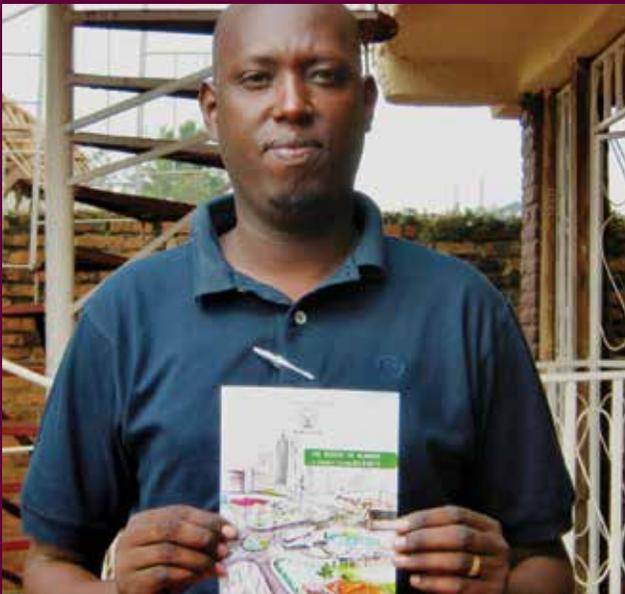
## MAKING US FOREIGN AID MORE TRANSPARENT

**THE ISSUE:** Basic information about where, how much, and for what the US government provides aid has historically been difficult for people to access—both for American taxpayers and for the people in poor countries we are trying to assist. But when the US government shares high-quality, comprehensive, and timely information about our aid investments, it helps:

- Partners plan better projects
- Watchdogs keep an eye on the money
- Citizens both in the US and in partner countries make sure that aid delivers results

**THE RESULTS:** The US government is beginning to disclose basic aid data, as well as make that data more useful to citizens. In 2010, the US unveiled a public website, the Foreign Assistance Dashboard, which provides a view of US aid across agencies and countries.<sup>26</sup> President Obama has mandated publishing machine-readable data on US aid via executive orders and through public, international commitments like the Open Government Partnership. There have also been bipartisan efforts in both houses of Congress to require more transparency from US aid agencies via legislation.

In 2011, the US joined IATI, a global agreement by donors to share information about foreign aid in an easy-to-use manner. Since joining IATI, US rankings in the Aid Transparency Index<sup>27</sup> have risen across the board, with the MCC ranking number one in 2013.



Alexis Nkurunziza / CLADHO

### ALEXIS NKURUNZIZA, POLICY & ADVOCACY COORDINATOR OF CLADHO, AN UMBRELLA OF HUMAN RIGHTS ORGANIZATIONS IN RWANDA.

Until a few years ago, the national budget process in Rwanda was shrouded in secrecy. People didn't know exactly how the nation's resources were being spent. The details of the budget might still be hidden if it were not for the courage and conviction of Alexis Nkurunziza.

Using USAID funding provided initially through a Millennium Challenge Corporation Threshold Program,

and working with CLADHO, an umbrella of human rights groups in Rwanda, Nkurunziza assisted the Ministry of Finance and Economic Planning to develop *The Budget of Rwanda: a Citizens Guide 2012-2013*. The guide helps educate Rwandans about the purpose of the national budget and how they can get involved in developing and monitoring it at local levels.

Nkurunziza knows how important this is because of his experience with CLADHO hosting forums with citizens to share their needs and priorities with local government.

In September 2012 Rwanda's Ministry of Finance and Economic Planning made an important decision to not only publish the budget, but also to publish the Executive's Budget Proposal for the first time.<sup>28</sup>

"The motivation came from our publication of the Citizens Budget...people have showed ownership of the budget and requested more information on how institutions spend money to implement government priorities," said Elias Baingana, the director general of the National Budget.

With support from the US, discrepancies between citizens' and the governments' priorities for public spending are being examined by citizens in Rwanda today.

"Now you can see that people are showing that they can contribute, and when given more information, they contribute even more," said Baingana.

## DEVELOPING NEW MODELS OF PROVIDING AID

The **Millennium Challenge Corporation (MCC)** is a United States foreign aid agency that is applying a new philosophy towards foreign aid. Introduced by President George W. Bush and established by Congress in 2004, the MCC model requires countries to meet eligibility criteria in three areas: good governance, economic freedom, and investments in people. In return, the MCC provides large, five-year grants (“compacts”) toward development projects that are identified along with representatives from the host country government, private sector, and civil society and that are assessed on the basis of expected economic returns and other technical criteria.

From 2004-2013, the MCC signed compacts with 24 countries and committed over \$9.3 billion in aid.<sup>29</sup> Lesotho is an example of a country that took steps to improve economic freedom to become eligible for an MCC partnership by passing a law in 2006 that allowed married women to own property for the first time.

## MARTHA KWATAINE, EXECUTIVE DIRECTOR OF THE MALAWI HEALTH EQUITY NETWORK

By leveraging a tiny US investment, Martha Kwataine is protecting the health of people in rural communities across her country. Kwataine leads the Malawi Health Equity Network, a coalition of local nonprofits and citizens working on access to quality health services—and a partner of USAID.

Thanks to the strong advocacy efforts of Kwataine and her colleagues, the 2011 Malawi national budget included 12,200 student scholarships to train more health workers for service in rural, underserved areas.

“I lobbied hard for the reintroduction of these scholarships, since rural Malawians should not be punished for living where they do,” Kwataine says.

**// I have to ensure that the national budget translates into improved health service delivery. //**

MARTHA KWATAINE, EXECUTIVE DIRECTOR OF THE MALAWI HEALTH EQUITY NETWORK.



Brett Eloff / Oxfam America



In the past 50 years, USAID provided democracy and governance assistance to 36 of the 57 nations that successfully made the transition to democratic government. Pictured above, a man casts his ballot in Champs de Mars in Port-au-Prince, Haiti, on November 28, 2010. Kendra Helmer / USAID

## TACKLING GLOBAL CHALLENGES THROUGH LOCAL INSTITUTIONS

### FEED THE FUTURE

**THE ISSUE:** About three-fourths of the world's poorest people—1.4 billion women, children, and men—live in rural areas, where most of them depend on farming and related activities for their livelihood.<sup>30</sup>

In recent years, increasing food prices around the globe have put pressure on many poor households. In response to these recurring food crises, the Obama administration in 2010 launched the Feed the Future initiative, which aims to help small farmers grow more food and grow their incomes. Feed the Future is designed to deliver aid for agricultural development and food security based on a country's own assessment of needs and priorities. Feed the Future is also intended to focus on results and leverage US investments in local research and training on farming methods, irrigation, and nutrition for maximum outcomes.

**THE RESULTS:** In 2012, almost 9.4 million acres—a land area nearly double that of New Jersey—came under improved cultivation and management practices due to Feed the Future investments, supporting seven million food producers. In Senegal for example, the use of conservation farming techniques resulted in at least a 20 percent increase in yields of maize, millet, and sorghum from 2011 to 2012.<sup>31</sup>

### THE US PRESIDENT'S EMERGENCY PLAN FOR AIDS RELIEF (PEPFAR)

**THE ISSUE:** An estimated 35 million people were living with HIV around the world in 2012. The persistent burden associated with communicable diseases undermines efforts to reduce poverty, prevent hunger, and preserve human potential.<sup>32</sup>

Launched in 2003, PEPFAR helps expand access to prevention, care, and treatment by funding programs that are country-owned and country-driven, emphasizing a "whole of government" response to scaling-up proven interventions, which are increasingly financed by partner countries.<sup>33</sup>

**THE RESULTS:** PEPFAR has helped contributed to historic declines in AIDS-related deaths and new HIV infections. Going forward, PEPFAR is addressing the continuing challenges of strengthening health systems in developing nations so countries ultimately care for and improve the health of their own people, better protecting the world from global disease outbreaks.

# HOW CAN US FOREIGN AID BETTER FIGHT POVERTY?

Three changes would ensure that US foreign aid leads to broad-based economic growth:

## 1. FOCUS FIRST AND FOREMOST ON FIGHTING POVERTY.

- Do not try to achieve political or security goals using development assistance.
- Do not mislabel assistance intended to deliver political or security goals as “development” aid.

## 2. RECOGNIZE THAT LOCAL CITIZENS AND GOVERNMENTS ARE IN CHARGE OF THEIR COUNTRIES’ FUTURES. PUT MORE US AID RESOURCES IN THEIR HANDS.

- Invest the needed time and energy to achieve sustainable successes, rather than subsidizing failure.
- Invest in strengthening local systems for good governance and local accountability for results.
- Align US foreign assistance with host countries’ developmental plans.
- Make sure that any aid conditions are based on delivering specific poverty-fighting outcomes.

## 3. CONTINUE TO PROVIDE MORE USEFUL INFORMATION ABOUT US AID.

- Make useful, timely, accurate, and comprehensive data about US assistance available to US citizens and citizens in countries receiving aid.
- Engage in open, collaborative policymaking and planning with local stakeholders.
- Continue progress on new policies and reform efforts aimed at meeting international commitments.

## WHAT IS OXFAM’S VISION FOR THE FUTURE OF US FOREIGN AID?

If reforms remain in place and a commitment to poverty-focused development aid continues, Oxfam believes that US government investments can strengthen active citizens and effective governments to the point where they no longer need outside support:

- Local civil society organizations can become strong enough to raise their own funds and can freely communicate citizens’ needs to their government and hold them accountable for results.
- Governments raise enough revenue through domestic and international sources to meet the needs of citizens.
- A thriving private sector provides jobs to citizens.

US assistance will only be necessary for the recovery from severe humanitarian disasters, such as wars, earthquakes, and storm relief.



A women’s group facilitates a savings program in Tra Paing Thnan village, Cambodia. Oxfam partnered with a local group to kickstart the practice, but the model is now self-replicating. Partnerships like this invest in the long-term capacity of women to make change in their communities.  
*Patrick Brown / Oxfam America*

# WHY DOES OXFAM CARE ABOUT FOREIGN AID?

Oxfam America is a global organization working to right the wrong of poverty.

Whether the US fights global poverty for moral reasons or to enhance its own security, Oxfam believes that the United States will contribute to effective poverty reduction when the US government designs its aid to fight poverty for its own sake. **A world with less poverty is a world that is safer, more prosperous, and more fair**, protecting basic rights and liberties and defending the most vulnerable. These outcomes benefit America’s security and economic interests, as well as reflect Americans’ values and beliefs.

Because we do not receive US federal funds, Oxfam America can independently advocate for aid reforms that make US foreign aid a better tool for development for people in recipient countries. From helping local farmers increase their crop production to supporting citizens and governments rebuild after a natural disaster, foreign assistance must be led and designed by the people who need it most.

Oxfam America also advocates for country-led development that strengthens the relationship between people and their governments. (See below.) Now is the time to support emerging aid reforms and initiatives that are moving in this promising direction.



## LEARN MORE

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# KEY CONCEPTS AND TERMS

**COUNTRY OWNERSHIP**—Country ownership means letting aid recipients lead their own development agenda. Because foreign aid doesn't "do" development—people and countries develop themselves—ownership is central to effective aid. As Kenyan anticorruption activist John Githongo put it, "Ownership is *ni sisi*. It is up to us. It is us who own our problems. And it is us who will come up with the solutions."<sup>34</sup> See also "Ownership in Practice: The Key to Smart Development," available at [www.oxfamamerica.org/explore/research-publications/ownership-in-practice-the-key-to-smart-development](http://www.oxfamamerica.org/explore/research-publications/ownership-in-practice-the-key-to-smart-development).

**FOREIGN AID**—Foreign aid is support the US provides to other countries for a multitude of purposes, from military to diplomatic to development. Passed by Congress in 1961, the Foreign Assistance Act created the US Agency for International Development (USAID) and was intended to bring reason to the dizzying array of players involved in foreign aid. After decades in which new directives, earmarks, and aid offices have been added, the act has become a catchall of contradictory messages with no clear purpose.

**HUMANITARIAN AID**—Humanitarian aid is material or logistical assistance typically provided in response to natural and man-made disasters. The primary objective of humanitarian aid is to save lives, alleviate suffering, and maintain human dignity. It may therefore

be distinguished from development aid, which seeks to address the underlying socioeconomic factors that may lead to crisis or emergency.<sup>35</sup>

**INTERNATIONAL AFFAIRS BUDGET**—Also known as the "150 account" for its location in the federal budget, the international affairs budget contains the majority of diplomatic, development, and military aid dollars (but not defense spending). This account pays for everything from embassy salaries to fighting drugs in Colombia to children's health programs.

**MILLENNIUM CHALLENGE CORPORATION (MCC)**—The MCC was established in 2004 to deliver aid under the premise that aid is most effective when it rewards countries for good governance, economic freedom, and investments in people. The MCC signs five-year compacts with responsible governments to fund programs that the country itself identifies through a consultative process.

**OFFICIAL DEVELOPMENT ASSISTANCE (ODA)**—ODA accounts for all official aid globally, which is tracked by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) for its 30 member states, including the US.<sup>36</sup> A subcategory of foreign aid, ODA is mostly development aid—specifically designed to promote economic growth in poor countries or alleviate suffering from man-made and natural disasters.

Figures sometimes include aid for political, diplomatic, and strategic purposes —such as reconstruction efforts in Iraq and Afghanistan. ODA is considered one of the more generous measures of US development assistance.

**POVERTY-FOCUSED DEVELOPMENT AID**—The development aid community often uses this term to describe US aid that's targeted first and foremost toward improving the lives and livelihoods of poor people. This aid is distinguished from aid provided for diplomatic or security purposes.

**US AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)**—Created in 1961 by the Foreign Assistance Act, USAID was intended to be the primary vehicle for delivering US poverty-focused development aid. USAID was marginalized and under-resourced throughout the 1990s and early 2000s, but staffing increases begun under the George W. Bush administration and USAID Administrator Rajiv Shah's USAID Forward agenda are restoring the agency's expertise and leadership.

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**NANA KOJO KONDUA IV, CHIEF OF ABUSEI, GHANA**

Nana Kojo Kondua IV was alarmed at how overfishing was affecting his community's pocketbooks and food supplies. As chief of Abuesi, a fishing village in Western Ghana, Chief Kondua is bringing people together to hold local regulatory agencies accountable for enforcing fishing regulations. He is also working to develop new laws to stop erosion and create marine-protected areas.

*Anna Fawcus/Oxfam America*

**In recent years, the US government has launched policy reforms that make US foreign aid more accountable to you, US taxpayers, and to local leaders like Nana Kojo Kondua IV.**

Read more stories at: [www.oxfamamerica.org/aidworks](http://www.oxfamamerica.org/aidworks).

**COVER:** After the devastating 2004 Indian Ocean tsunami, Oxfam International and the Institute for Participatory Interaction in Development involved local academics and NGOs in Sri Lanka and India to conduct studies on disaster risk reduction, gender equity, climate change, mental health, livelihoods, delivering aid in conflict settings, and building on local capacity. While each of the studies produced its own findings, the overall message received was that disaster-affected communities want to guide their own relief and rehabilitation. Here community members rate NGOs in their response to the tsunami. *Brett Eloff / Oxfam*

**INSIDE PAGE:** Emiliana Aligaesha and fellow farmers in her community formed a successful private company selling coffee and beans in Karagwe, Tanzania. USAID support has helped the group earn better prices for their crops. The World Food Programme became a customer, resulting in more timely and cost-efficient food aid during humanitarian crises when food is purchased locally. *Brett Eloff / Oxfam*



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